



5. I was engaged in November 2023 by Chris Alfaro, MAI, AI-GRS, Director & Chief Appraiser of Multifamily Appraisals at Freddie Mac to appraise the Virtuo Med Center Apartments located at 7110 Ardmore Street, Houston, Texas 77054 (the "Property").

6. In connection with the appraisal, I prepared a report containing a detailed description of the appraisal process, subject and market data, and valuation analyses. A true and correct copy of the appraisal report dated December 19, 2023 is attached to this affidavit as Exhibit 1 and incorporated by reference.

7. In my professional and unbiased opinion, as of November 28, 2023, the As-Is Market Value of the Property was \$40,400,000, as set out in the appraisal report.

8. The statements of fact contained in the appraisal report are true and correct based on my inspection of the Property on November 28, 2023 and the available information regarding the Property gathered and provided to me.

9. The analyses, opinions, and conclusions communicated within the appraisal report are my impartial and unbiased professional analyses, opinions, and conclusions based on my knowledge, skill, experience, training, and education as a Certified General Real Estate Appraiser in Houston, Texas.

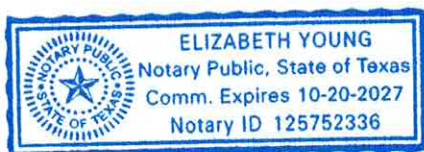
10. The reported analysis, opinions, and conclusions were developed, and the appraisal report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute, which are the industry standards for conducting appraisals in the United States.

11. My engagement and compensation for making the appraisal is not contingent on the amount of the appraisal, nor do I have any present or contemplated future interest in the Property.



Clay M. Roth

SUBSCRIBED AND SWORN TO BEFORE ME, the undersigned authority, on August 7, 2025 to certify which, witness my hand and seal of office.

  
Notary Public, State of Texas

## VIRTUO MED CENTER APARTMENTS

7110 Ardmore Street  
Houston, Texas 77054

### APPRAISAL REPORT

Date of Report: December 19, 2023

Colliers File #: HOU230784



PREPARED FOR  
Chris Alfaro, MAI, AI-GRS  
Director & Chief Appraiser of Multifamily  
Appraisals  
Freddie Mac  
8100 Jones Branch Drive  
McLean, VA 22102

PREPARED BY  
COLLIERS INTERNATIONAL  
VALUATION & ADVISORY SERVICES

# LETTER OF TRANSMITTAL

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December 19, 2023

Chris Alfaro, MAI, AI-GRS  
Director & Chief Appraiser of Multifamily Appraisals  
**Freddie Mac**  
8100 Jones Branch Drive  
McLean, VA 22102

**RE: Virtuo Med Center Apartments**  
7110 Ardmore Street  
Houston, Texas 77054

Colliers File #: HOU230784

Mr. Alfaro:

Pursuant with our engagement, the above captioned property was appraised utilizing best practice appraisal principles for this property type. This appraisal report satisfies the scope of work and requirements agreed upon by Freddie Mac and Colliers International Valuation & Advisory Services.

The date of this report is December 19, 2023. At the request of the client, this appraisal is presented in an Appraisal Report format as defined by *USPAP* Standards Rule 2-2(a). Our appraisal format provides a detailed description of the appraisal process, subject and market data and valuation analyses.

The purpose of this appraisal is to develop opinions of the As-Is Market Value and Prospective Value Upon Stabilization of the subject property's leased fee interest. At the request of the client we have also completed an Insurable Replacement Cost Estimate. The following table conveys the final opinions of market value of the subject property that are developed within this appraisal report:

VALUE TYPE	INTEREST APPRAISED	DATE OF VALUE	VALUE
Market Value As-Is	Leased Fee	November 28, 2023	\$40,400,000
Prospective Value Upon Stabilization	Leased Fee	January 1, 2025	\$48,500,000
<b>OTHER CONCLUSIONS</b>			<b>AS OF NOVEMBER 28, 2023</b>
Insurable Replacement Cost			\$30,500,000

The subject is a Multifamily (Mid/High-Rise Housing) property totaling 326 units located on a 6.39-acre site at 7110 Ardmore Street in Houston, Texas. The improvements were built in 2022, are in average/good condition and have a remaining economic life of 54 years based on our estimate.



The subject is currently operating at below stabilized occupancy. We requested the subject's current occupancy from the property manager during our inspection, however she declined to provide it, instead deferring questions about occupancy to the owner's attorney. We requested the current occupancy from the client, however they were unable to give an accurate account of occupancy as of the effective date. The rent roll provided dated October 18, 2023, shows 92 vacant units for a total occupancy of 71.8%. However, according to the client the property data provided may not be accurate and should be considered with caution. Further, the rent roll provided does not show the current rents for the in-place tenants making it difficult to determine the subject's economic vacancy. Additionally, the dates of commencement and expiration for the leases was not included. On the effective date, the PCA inspector reported walking 100 vacant units or approximately 30.6% of the property. While we were unable to accurately determine current occupancy during our inspection of the property, we did observe tenants at the property, as well as a number of cars in the parking lot, indicating that the subject has some degree of occupancy as of the effective date. **It is highly atypical to complete an appraisal report without a reliable rent roll or accurate understanding of current occupancy and does impact the overall reliability of our analysis.**

We have requested but not been provided with the copy of the subject's current T-12 historical financial as well as the full year 2022 historical financials. Further, we have requested but have not been provided with the owners 2024 operating budget or a stabilized operating budget. We have been provided with the subject's April 2023 T-12 historical financials which represent the subject prior to sale. However, we have been informed by the client that the subject's historical data may not be accurate and to use with caution. The appraisers do not have the expertise or data to confirm or deny the accuracy of the financials provided. However, based on our years of experience analyzing income and expenses for multifamily properties in the Houston market as well as knowledge of the subject's operations from individuals who previously listed the subject for sale, we cannot give any consideration to the financials provided. **It is highly atypical to complete an appraisal report without reliable or accurate historical financials and does impact the overall reliability of our analysis.**

We were provided with a copy of the Property Conditions Assessment and Phase I Environmental report. Based on our review of these reports, we opine that the findings contained therein have no impact on the concluded value in this analysis.

The analyses, opinions and conclusions communicated within this appraisal report were developed based upon the requirements and guidelines of the current Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. The report is intended to conform to the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) standards and the appraisal guidelines of Freddie Mac.

This report is for the use and benefit of, and may be relied upon by

- a) the Seller/Servicer, Freddie Mac and any successors and assigns ("Lender");
- b) independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;
- c) governmental agencies having regulatory authority over Lender;
- d) designated persons pursuant to an order or legal process of any court or governmental agency;
- e) prospective purchasers of the Mortgage; and
- f) with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:

- any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;
- any initial purchaser or subsequent holder of such debt and/or securities;
- any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
- any indenture trustee;
- any rating agency; and
- any institutional provider from time to time of any liquidity facility or credit support for such financings

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities.

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter. *USPAP* defines an Extraordinary Assumption as, “an assignment specific-assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions”. *USPAP* defines a Hypothetical Condition as, “that which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis”.

The Extraordinary Assumptions and/or Hypothetical Conditions that were made during the appraisal process to arrive at our opinions of value are fully discussed below. We advise the client to consider these issues carefully given the intended use of this appraisal, as their use might have affected the assignment results.

### **EXTRAORDINARY ASSUMPTIONS**

We have been unable to verify the subject’s current occupancy. Therefore, we have appraised the subject’s as is value based on the extraordinary assumption that the subject is 70% occupied as of the effective date. Additionally, it is extraordinary of this appraisal that the subject’s in-place tenants are paying rents on par with our market rent conclusions. Should reliable information be provided that disproves this assumption our concluded market value would be subject to change.

### **HYPOTHETICAL CONDITIONS**

No Hypothetical Conditions were made for this assignment.

### **RELIANCE LANGUAGE**

The Appraisal is for the sole use of the Client; however, Client may provide only complete, final copies of the Appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with loan underwriting or securitization efforts. Colliers International Valuation & Advisory Services is not required to explain or testify as to appraisal results other than to respond to the Client for routine and customary questions. Please note that our consent to allow the Appraisal prepared by Colliers International Valuation & Advisory Services or portions of such Appraisal, to become part of or be referenced in any public offering, the granting of such consent will be at our sole and absolute discretion and, if given, will be on condition that Colliers International Valuation & Advisory Services will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to Colliers International Valuation & Advisory Services, by a party satisfactory to Colliers International Valuation & Advisory Services. Colliers International Valuation & Advisory Services does consent to your submission of the reports to rating agencies, loan

participants or your auditors in its entirety (but not component parts) without the need to provide Colliers International Valuation & Advisory Services with an Indemnification Agreement and/or Non-Reliance letter.

Colliers International Valuation & Advisory Services hereby expressly grants to Client the right to copy the Appraisal and distribute it to other parties in the transaction for which the Appraisal has been prepared, including employees of Client, other lenders in the transaction, and the borrower, if any.

Our opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject's value.

The signatures below indicate our assurance to the client that the development process and extent of analysis for this assignment adhere to the scope requirements and intended use of the appraisal. If you have any specific questions or concerns regarding the attached appraisal report, or if Colliers International Valuation & Advisory Services can be of additional assistance, please contact the individuals listed below.

Sincerely,

**COLLIERS INTERNATIONAL  
VALUATION & ADVISORY SERVICES**



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**LETTER OF TRANSMITTAL**

Aerial Photograph	4
Subject Property Photographs	5
Identification of Appraisal Assignment	9
Scope of Work	11

**DESCRIPTIONS & EXHIBITS 14**

Regional Map	14
Regional Analysis	15
Local Area Map	27
Local Area Analysis	28
Site Description	37
Exhibits	39
Improvement Description	41
Assessment & Taxation	44
Subject Property Photographs	45
Zoning Analysis	47
Market Analysis	48
Highest & Best Use	62

**VALUATION 64**

Valuation Methods	64
Income Approach	66
Rent Comparable Summation Table	68
Rent Comparable Location Map	70
Rent Data Sheets	71
Rent Adjustment Grid	82
Income & Expense Analysis	88
Subject Operating Historicals	89
Subject Property Photographs	90
Rental Income Analysis	91
Vacancy & Credit Loss	91
Expense Comparable Table	93
Conclusion of Operating Expenses	94
Investment Market Analysis	97
Stabilized Direct Capitalization	106
Adjustments to Value	107
Lease-Up Analysis	107
Reconciliation of Income Approach Values	109
Sales Comparison Approach	111
Sales Summation Table	113
Sales Location Map	115
Sales Comparison Approach Conclusion	124
Land Valuation	125
Land Sales Summation Table	126
Land Sales Location Map	127
Land Sales Data Sheets	128
Land Valuation Conclusion	134
Cost Approach	135
Cost Approach Conclusion	139
Reconciliation of Value Conclusions	140



## **CERTIFICATION**

## **ASSUMPTIONS & LIMITING CONDITIONS**

## **ADDENDA**

Insurable Replacement Cost

Engagement Letter

Income & Expense Statements

Rent Roll

Valuation Glossary

Qualifications of Appraisers

Qualifications of Colliers International Valuation & Advisory Services

## GENERAL INFORMATION

Property Name	Virtuo Med Center Apartments
Property Type	Multifamily - Mid/High-Rise Housing
Address	7110 Ardmore Street
City	Houston
State	Texas
Zip Code	77054
County	Harris
Core Based Statistical Area (CBSA)	Houston-The Woodlands-Sugar Land, TX
Market	Houston
Submarket	West University / Medical Center / River Oaks
Longitude	-95.380190
Latitude	29.694550
Number Of Parcels	1
Assessor Parcel	1500190010002
Total Taxable Value	\$52,800,800
Census Tract Number	3139.01

## SITE INFORMATION

Land Area	Acres	Square Feet
Usable	6.39	278,452
Unusable	0.00	0
Excess	0.00	0
<u>Surplus</u>	<u>0.00</u>	<u>0</u>
<b>Total</b>	<b>6.39</b>	<b>278,452</b>
Topography	Level at street grade	
Shape	Rectangular	
Access	Average	
Exposure	Fair/Average	
Appeal	Average	
Current Zoning	None (None)	
Flood Zone	Zone X (Unshaded)	
Seismic Zone	No Risk	

## IMPROVEMENT INFORMATION

Number Of Units	326
Average Unit Size	765 SF
Net Rentable Area SF (NRA)	249,335 SF
Gross Building Area SF (GBA)	308,158 SF
Development Density	51.0 Units/Acre (326 Units / 6.39 Acres)
Number Of Apartment Buildings	1
Number Of Non-Residential Buildings	<u>1</u>
Total Number Of Buildings	2
Number Of Stories	4
Year Built	2022
Quality	Average/Good
Condition	Average/Good
Marketability	Fair/Average
Type Of Construction	Wood frame
Parking Type	Surface And Garage
Number Of Parking Spaces	587
Parking Spaces/Unit	1.8
Property Amenities	The subject's common amenities include: bbq/picnic area, business center, clubhouse, common area wi-fi, courtyard, electronic gate, elevators, fitness center, game room, on-site manager, security alarm/patrol, swimming pool.

**HIGHEST & BEST USE**

<b>As Vacant</b>	Development of a residential property as market conditions warrant
<b>As Improved</b>	Continued use as a residential property

**EXPOSURE TIME & MARKETING PERIOD**

<b>Exposure Time</b>	Six Months or Less
<b>Marketing Period</b>	Six Months or Less

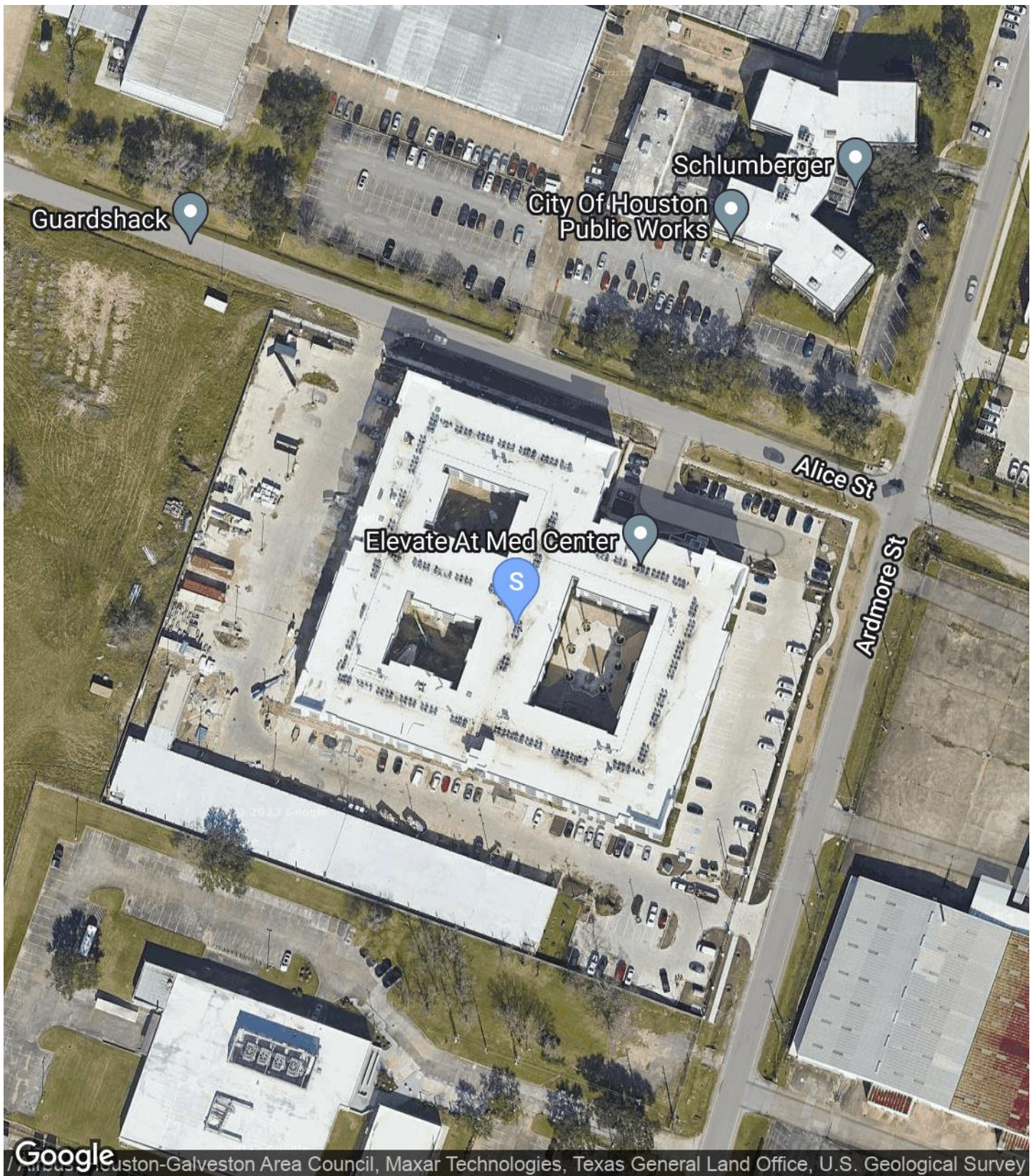
**VALUATION SUMMARY**

<b>Current Occupancy</b>	70.0% (Assumed)
<b>Stabilized Occupancy</b>	92.0%
<b>Current Average Rent/Unit</b>	Unknown
<b>Concluded Average Rent/Unit</b>	\$1,528/Unit
<b>Potential Gross Income</b>	\$6,628,900
<b>Vacancy, Concessions &amp; Credit Loss</b>	10.0%
<b>Effective Gross Income</b>	\$6,031,210
<b>Total Expenses</b>	\$3,123,722
<b>Net Operating Income</b>	\$2,907,488
<b>Capitalization Rate (OAR)</b>	6.00%

## VALUATION SUMMARY

VALUATION INDICES	MARKET VALUE AS-IS	PROSPECTIVE VALUE UPON STABILIZATION
INTEREST APPRAISED	LEASED FEE	LEASED FEE
DATE OF VALUE	NOVEMBER 28, 2023	JANUARY 1, 2025
INCOME CAPITALIZATION APPROACH		
<b>Direct Capitalization</b>	<b>\$40,400,000</b>	<b>\$48,500,000</b>
Direct Capitalization \$/Unit	\$123,926/Unit	\$148,773/Unit
Direct Capitalization \$/SF (NRA)	\$162.03/SF	\$194.52/SF
Net Operating Income	-	\$2,907,488
NOI \$/Unit	-	\$8,919/Unit
NOI \$/SF (NRA)	-	\$11.66/SF
Capitalization Rate	-	6.00%
<b>INCOME CONCLUSION</b>	<b>\$40,400,000</b>	<b>\$48,500,000</b>
Income Conclusion \$/Unit	\$123,926/Unit	\$148,773/Unit
Income Conclusion \$/SF (NRA)	\$162.03/SF	\$194.52/SF
SALES COMPARISON APPROACH		
<b>SALES CONCLUSION</b>	<b>\$42,400,000</b>	<b>\$50,500,000</b>
Sales Conclusion \$/Unit	\$130,061/Unit	\$154,908/Unit
Sales Conclusion \$/SF	\$170.05/SF	\$202.54/SF
COST APPROACH		
<b>COST CONCLUSION</b>	<b>\$43,000,000</b>	<b>\$51,100,000</b>
Cost Conclusion \$/Unit	\$131,902/Unit	\$156,748/Unit
Cost Conclusion \$/SF (GBA)	\$139.54/SF	\$165.82/SF
FINAL VALUE CONCLUSION		
<b>FINAL VALUE</b>	<b>\$40,400,000</b>	<b>\$48,500,000</b>
Final \$/Unit	\$123,926/Unit	\$148,773/Unit
Final \$/SF (NRA)	\$162.03/SF	\$194.52/SF
Implied Capitalization Rate	-	5.99%
LAND VALUATION		
<b>LAND VALUE</b>	<b>\$9,700,000</b>	-
Value/SF	\$35.00	-
OTHER CONCLUSIONS		
<b>Insurable Replacement Cost</b>	<b>\$30,500,000</b>	
Insurable Replacement Cost/Unit	\$93,558/Unit	
Insurable Replacement Cost/SF (GBA)	\$98.98/SF	









**EXTERIOR**



**EXTERIOR / MAIN ENTRANCE**



**EXTERIOR**



**EXTERIOR**



**PARKING LOT / EXTERIOR**



**PARKING GARAGE**





**PROPERTY SIGNAGE**



**EV CHARGING STATIONS**



**SWIMMING POOL**



**GRILLING AREA**



**COURTYARD**



**ZEN COURTYARD**





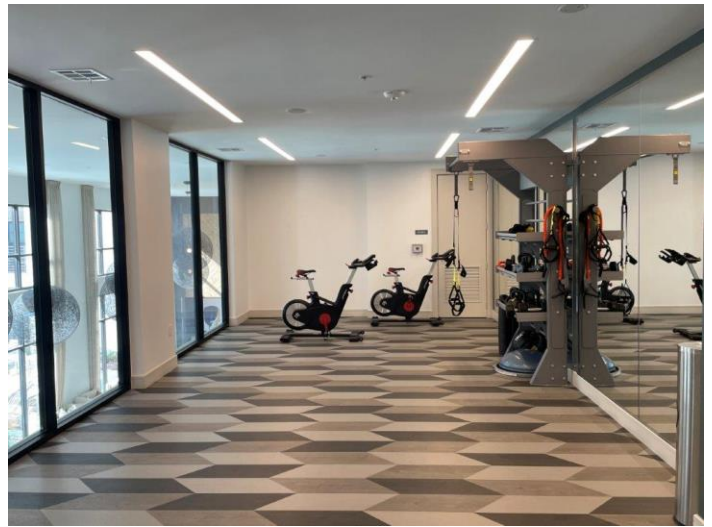
**DOG PARK**



**INDOOR COMMON AREA**



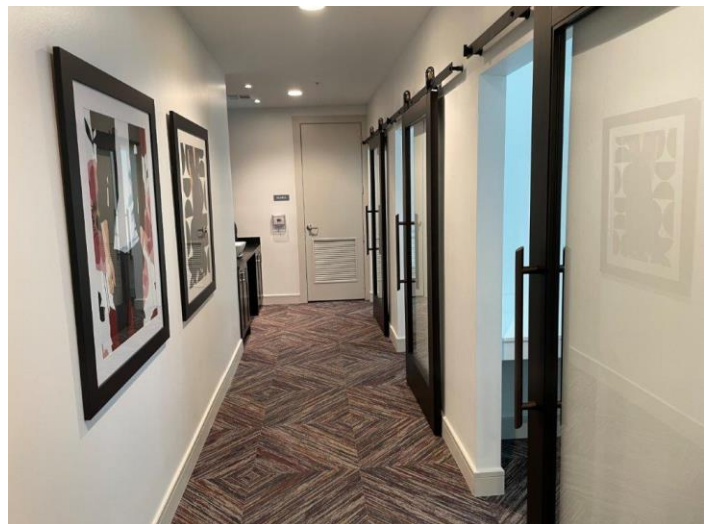
**FITNESS CENTER**



**SPIN ROOM**



**LEASING OFFICE**



**BUSINESS CENTER WORKSTATIONS**





**KITCHEN**



**BEDROOM**



**BATHROOM**



**BEDROOM**



**CLOSET**



**WASHER / DRYER**

## PROPERTY IDENTIFICATION

The subject is a Multifamily (Mid/High-Rise Housing) property totaling 326 units. It is located on a 6.39-acre site at 7110 Ardmore Street in Houston, Harris County, Texas. The assessor's parcel number is: 1500190010002.

## LEGAL DESCRIPTION

Unrestricted Reserve "B", in Block One (1) of PARKMED, a subdivision in Harris County, Texas, according to the map or plat thereof, recorded under Film Code No. 688668 of the Map Records of Harris County, Texas.

## CLIENT IDENTIFICATION

The client of this specific assignment is Freddie Mac.

## PURPOSE

The purpose of this appraisal is to develop opinions of the As-Is Market Value and Prospective Value Upon Stabilization of the subject property's leased fee interest. At the request of the client we have also completed an Insurable Replacement Cost Estimate.

## INTENDED USE

The intended use of this appraisal is for asset management purposes, and/or for evaluating a request for an extension of credit (the "Mortgage Loan") to be secured by the property, and/or for loan origination, and/or for acquisition of an asset, and/or for any other purpose.

## INTENDED USERS

Freddie Mac is the only intended user of this report. Use of this report by third parties and other unintended users is not permitted. This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.

## ASSIGNMENT DATES

Date of Report	December 19, 2023
Date of Inspection	November 28, 2023
Valuation Date - As-Is	November 28, 2023
Valuation Date - Prospective At Stabilization	January 1, 2025

## PERSONAL INTANGIBLE PROPERTY

No personal property or intangible items are included in this valuation.

## PROPERTY AND SALES HISTORY

### Current Owner

The subject title is currently recorded in the name of TMC GrantApts #1 LLC who acquired title to the property some time prior to January 1, 2020 prior to the construction of the proposed improvements. As discussed below it is believed that the subject's ownership shares were transferred to a different entity on June 15, 2023 for between \$67,000,000 and \$69,000,000.

### Three-Year Sales History

According to our search of the Harris County public records, the subject has had the same recorded owner, TMC Grand Apts, since at least January 1, 2020, prior to the construction of the existing improvements. However, based on discussions with the client and market participants as well as searching third party data sources, it appears that the subject sold in June of 2023. The price of this transaction is not publicly known but is reported to be between \$67,000,000 and \$69,000,000 based on discussions with market participants with knowledge of the sale. We spoke with two brokers who previously listed the property in late 2022 and early 2023 stated it was under contract to a different buyer for approximately \$65,500,000 but were unable to close the transaction and were not part of the reported sale in June of 2023. While there is no warranty deed recorded for this reported transaction, a multifamily deed of trust, assignment of rents, security agreement and fixture filing was recorded on June 15<sup>th</sup> 2023 (RP-2023-220918) with a loan amount of \$68,460,000. It is believed that this recording represents the loan for the reported transaction.

### Subject Sale Status

Research of the applicable public records, private data services and an interview of the current owner and/or broker revealed that the subject property is not under a current agreement of sale or option and is not currently offered for sale on the open market.

## DEFINITIONS

This section summarizes the definitions of value, property rights appraised, and value scenarios that are applicable for this appraisal assignment. All other applicable definitions for this assignment are located in the Valuation Glossary section of the Addenda.

### DEFINITIONS OF VALUE

Given the scope and intended use of this assignment, the following definition of value is applicable:

#### Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.<sup>1</sup>

### PROPERTY RIGHTS APPRAISED

The property rights appraised constitute the leased fee interest for the market value and fee simple interest for the insurable value.

#### Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.<sup>2</sup>

<sup>1</sup> Interagency Appraisal and Evaluation Guidelines, December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472

<sup>2</sup> The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, Chicago, Illinois, 2022

**Leased Fee Interest**

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.<sup>3</sup>

**VALUE SCENARIOS****As-Is Value**

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.<sup>4</sup>

**Prospective Value**

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.<sup>5</sup>

**INTRODUCTION**

The appraisal development and reporting processes requires gathering and analyzing information about those assignment elements necessary to properly identify the appraisal problem to be solved. The scope of work decision must include the research and analyses that are necessary to develop credible assignment results given the intended use of the appraisal. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. The scope of work for this appraisal assignment is outlined below:

- › The appraisers analyzed the regional and local area economic profiles including employment, population, household income, and real estate trends. The local area was further studied to assess the general quality and condition, and emerging development trends for the real estate market. The immediate market area was inspected and examined to consider external influences on the subject.
- › The appraisers confirmed and analyzed legal and physical features of the subject property including sizes of the site and improvements, flood plain data, seismic zone, zoning, easements and encumbrances, access and exposure of the site, and construction materials and condition of the improvements. This process also included estimating the remaining economic life of the improvements, analysis of the subject's site coverage and parking ratios compared to market standards, a process to identify deferred maintenance and a conclusion of the subject's overall functional utility.
- › The appraisers completed an apartment market analysis that included market and sub-market overviews. The Houston market and West University / Medical Center / River Oaks sub-market overviews analyzed supply/demand conditions using vacancy, absorption, supply change and rent change statistics. Conclusions were drawn regarding the subject property's competitive position given its physical and locational characteristics, the prevailing economic conditions and external influences.
- › The appraisers conducted a Highest and Best Use analysis, determining the highest and best use of the subject property As-Vacant and As-Improved. The analysis considered legal, locational, physical and financial feasibility characteristics of the subject property. Development of the Highest and Best Use As-Improved explored potential alternative treatments of the property including demolition, expansion, renovation, conversion, and continued use "as-is."

<sup>3</sup> The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, Chicago, Illinois, 2022

<sup>4</sup> The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, Chicago, Illinois, 2022

<sup>5</sup> The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, Chicago, Illinois, 2022



- › The appraisers would not confirm the accuracy of the rent roll and historical data provided. Therefore, the appraiser relied on comparable data as well as trends established by confirmed market indicators was used to forecast performance of the subject property.
- › Selection of the valuation methods was based on the identifications required in USPAP relating to the intended use, intended users, definition and date of value, relevant property characteristics and assignment conditions. As a result, this appraisal developed the Income (Direct Capitalization), Sales Comparison and Cost approaches to value. The resulting value indicators were reconciled within the Analysis of Value Conclusions section. The appraisal develops opinions of the As-Is Market Value and Prospective Value Upon Stabilization of the subject property's leased fee interest. At the request of the client we have also completed an Insurable Replacement Cost Estimate. The reasoning for including or excluding traditional approaches to value is developed within the Valuation Methodology section.
- › Reporting of this appraisal is in an Appraisal Report format as required in USPAP Standard 2. The appraiser's analysis and conclusions are fully described within this document.
- › We understand the Competency Rule of USPAP and the authors of this report meet the standards.
- › No one provided significant real property appraisal assistance to appraisers signing this certification.

## SOURCES OF INFORMATION

The following sources were contacted to obtain relevant information:

SOURCES OF INFORMATION	
ITEM	SOURCE
Tax Information	Harris County Tax Assessor
Site Size Information	Property Survey
Building Size Information	Rent Roll and Harris County Appraisal District
New Construction	City of Houston / Harris County
Flood Map	InterFlood
Demographics	Pitney Bowes/Gadberry Group - GroundView®
Comparable Information	See Comparable Datasheets for details
Other Property Data	Harris County Property Records
Rent Roll (Dated October 18, 2023)	Property Contact
Income/Expense Statements (April 2023 T-12)	Property Contact

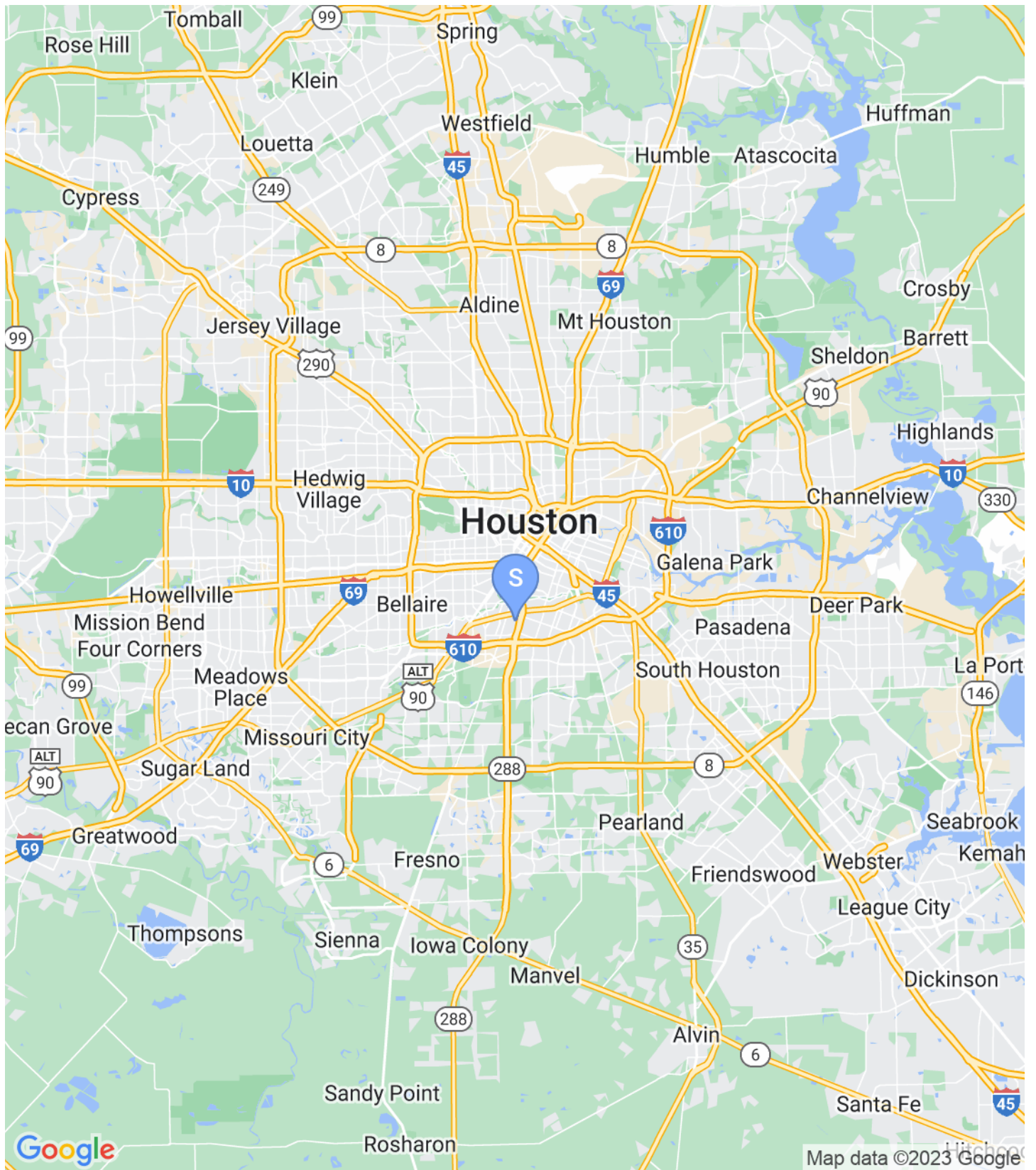
## SUBJECT PROPERTY INSPECTION

The following table illustrates the Colliers International professionals involved with this appraisal report and their status related to the property inspection.

SUBJECT PROPERTY INSPECTION			
APPRAISER	INSPECTED	EXTENT	DATE OF INSPECTION
John Burke	Yes	Interior/Exterior	November 28, 2023
Clay Roth, MAI	Yes	Interior/Exterior	November 28, 2023

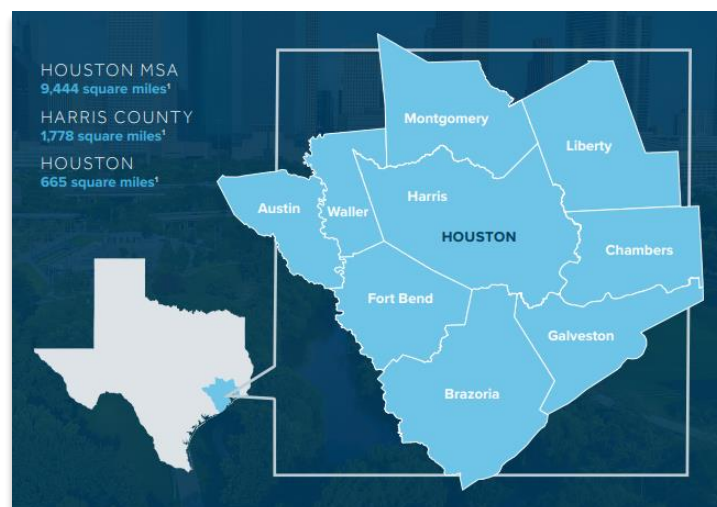
INSPECTED UNITS				
UNIT TYPE	AVG UNIT SF	UNIT NO.	STATUS	CONDITION
1 BD / 1 BA	627	4170	Vacant	Average/Good
2 BD / 2 BA	1,154	4167	Vacant	Average/Good
2 BD / 2 BA	1,154	4164	Vacant	Average/Good
STUDIO / 1 BA	537	4159	Vacant	Average/Good
STUDIO / 1 BA	537	4153	Vacant	Average/Good
STUDIO / 1 BA	537	4152	Vacant	Average/Good
2 BD / 2 BA	1,189	4150	Vacant	Average/Good
1 BD / 1 BA	669	4146	Vacant	Average/Good
STUDIO / 1 BA	555	4143	Vacant	Average/Good
2 BD / 2 BA	1,154	4141	Vacant	Average/Good
2 BD / 2 BA	1,042	4136	Vacant	Average/Good
1 BD / 1 BA	627	4134	Vacant	Average/Good
1 BD / 1 BA	627	4139	Vacant	Average/Good
2 BD / 2 BA	1,189	4133	Vacant	Average/Good
1 BD / 1 BA	687	4129	Vacant	Average/Good
1 BD / 1 BA	687	4128	Vacant	Average/Good
TOTAL UNITS INSPECTED	16			

In addition to the above units, the appraisers walked all four floors of the property and inspected the building exteriors, and project/common amenities.



## INTRODUCTION

The Houston-The Woodlands-Sugar Land, TX Metropolitan Statistical Area (MSA) is located in southeast Texas along the Gulf Coast region and contains the nine counties of Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller. Situated in the gulf coastal plains, where most of the area is very flat, the MSA encompasses 9,444 square miles of which 8,311 square miles are land and 1,133 square miles are water. The climate is humid subtropical, and due to the numerous streams, bayous, and the close proximity to the Gulf of Mexico, fog is common. Humidity is also high, especially during the summer.



With a 2020 population of approximately 7.1 million, the Houston MSA is the 5th most populated CBSA (Core Based Statistical Area) in the U.S. - and the second most populated MSA in the state of Texas, losing out to Dallas/Fort Worth Metroplex by more than a half million residents. Recognized as the world energy capital, Houston's local economy is driven by the energy industry. However, Houston continues to expand its economic base in the areas of international business, information systems technology, and service-related industries. According to the 2023 Fortune 500 list, out of the 500 U.S. corporations with the largest revenues in 2023, Houston is home to 25 which is 3<sup>rd</sup> in the country behind only New York (64), and Chicago (35). The Fortune 500 Companies headquartered in Houston as of June 2023 include:

Fortune 500 Companies Headquartered in Houston Metro, 2023					
Rank	Company	Revenues (\$ Billion)	Rank	Company	Revenues (\$ Billion)
17	Phillips 66	175.7	204	Waste Management	19.7
49	ConocoPhillips	82.1	214	Kinder Morgan	19.2
56	Sysco	68.6	244	Quanta Services	17.1
72	Enterprise Products Partners	58.2	252	Group 1 Automotive	16.4
74	Plains GP Holdings	57.3	263	Westlake	15.8
110	Occidental Petroleum	37.0	275	Southwestern Energy	15.0
122	Cheniere Energy	33.4	341	APA	12.1
130	NRG Energy	31.5	413	CenterPoint Energy	9.3
143	Hewlett Packard Enterprise	28.4	420	Coterra Energy	9.0
156	EOG Resources	25.7	433	Huntsman	8.7
185	Baker Hughes	21.2	464	Marathon Oil	8.0
188	Targa Resources	20.9	492	Par Pacific Holdings	7.3
197	Halliburton	20.3			

Source: *Fortune*, June 2023

Note: Schlumberger, which has principal offices in Houston, Paris, London, and The Hague, appears on the Fortune Global 500 list but not on Fortune 500.

## DEMOGRAPHIC ANALYSIS

The following is a demographic study of the region sourced by *Pitney Bowes/Gadberry Group - GroundView®*, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of geographical areas. Demographic changes are often highly correlated to changes in the underlying economic climate. Periods of economic uncertainty necessarily make demographic projections somewhat less reliable than projections in more stable periods. These projections are used as a starting point, but we also consider current and localized market knowledge in interpreting them within this analysis. Please note that our



demographics provider sets forth income projections in constant dollars which, by definition, reflect projections after adjustment for inflation. We are aware of other prominent demographic data providers that project income in current dollars, which do not account for inflation. A simple comparison of projections for a similar market area made under the constant and current dollar methodologies can and likely will produce data points that vary, in some cases, widely. Further, all forecasts, regardless of demographer methodology(ies), are subjective in the sense that the reliability of the forecast is subject to modeling and definitional assumptions and procedures.

REGIONAL AREA DEMOGRAPHICS							
YEAR	US	TX	CBSA	YEAR	US	TX	CBSA
<b>POPULATION</b>				<b>NUMBER OF HOUSEHOLDS</b>			
2020 Total Population	331,501,080	29,217,653	7,137,747	2022	129,171,249	10,985,218	2,631,554
2022 Total Population	334,017,687	29,926,185	7,325,715	2027	134,179,366	11,767,789	2,848,140
2027 Total Population	344,637,383	31,917,414	7,920,085	CAGR	0.8%	1.4%	1.6%
2020 - 2022 CAGR	0.4%	1.2%	1.3%	<b>AVERAGE HOUSEHOLD SIZE</b>			
2022 - 2027 CAGR	0.6%	1.3%	1.6%	2022	2.53	2.67	2.75
<b>POPULATION DENSITY</b>				2027	2.51	2.66	2.75
2022 Per Square Mile	93	112	840	CAGR	(0.11%)	(0.06%)	(0.01%)
2027 Per Square Mile	96	120	908	<b>HOUSING UNITS</b>			
<b>MEDIAN AGE</b>				Owner Occupied	83,268,403	6,912,505	1,627,192
2022	38.38	34.94	34.72	Renter Occupied	45,902,846	4,072,713	1,004,362
2027	39.16	35.83	35.62	<b>AVERAGE HOUSEHOLD INCOME</b>			
CAGR	0.40%	0.50%	0.51%	2022	\$102,072	\$102,218	\$114,849
<b>MEDIAN HOME VALUE</b>				2027	\$125,852	\$127,981	\$140,971
2022	\$231,248	\$192,155	\$213,793	CAGR	4.3%	4.6%	4.2%
<b>PER CAPITA INCOME</b>				<b>MEDIAN HOUSEHOLD INCOME</b>			
2022	\$40,410	\$38,239	\$41,698	2022	\$71,362	\$71,915	\$80,171
2027	\$50,112	\$48,025	\$51,196	2027	\$89,318	\$91,379	\$100,048
CAGR	4.4%	4.7%	4.2%	CAGR	4.6%	4.9%	4.5%

Source: Pitney Bowes/Gadberry Group - GroundView®

## Population

According to Pitney Bowes/Gadberry Group - GroundView®, a Geographic Information System (GIS) Company, the Houston-The Woodlands-Sugar Land metropolitan area had a 2022 total population of 7,325,715 and experienced an annual growth rate of 1.3%, which was higher than the Texas annual growth rate of 1.2%. The metropolitan area accounted for 24.5% of the total Texas population (29,926,185). Within the metropolitan area the population density was 840 people per square mile compared to the lower Texas population density of 112 people per square mile and the lower United States population density of 93 people per square mile. The 2022 median age for the metropolitan area was 34.72, which was 10.52% younger than the United States median age of 38.38 for 2022. The median age in the metropolitan area is anticipated to grow by 0.51% annually, increasing the median age to 35.62 by 2027.

## Education

Eighteen school districts exist within the city of Houston. The Houston Independent School District (HISD) is the seventh-largest school district in the United States. HISD has 112 campuses that serve as magnet or vanguard schools—specializing in such disciplines as health professions, visual and performing arts, and the sciences. There are also many charter schools that are run separately from school districts. In addition, some public school districts also have their own charter schools.

The Houston area encompasses more than 300 private schools, many of which are accredited by Texas Private School Accreditation Commission recognized agencies. The Houston Area Independent Schools offer education



from a variety of different religious as well as secular viewpoints. The Houston area Catholic schools are operated by the Archdiocese of Galveston-Houston.

### *Colleges and Universities*

Five separate and distinct state universities are located within Houston–The Woodlands–Sugar Land metropolitan area. The University of Houston is a nationally recognized Tier One research university, and is the flagship institution of the University of Houston System. The third-largest university in Texas, the University of Houston has nearly 40,000 students on its 667-acre campus in southeast Houston. The University of Houston–Clear Lake and the University of Houston–Downtown are stand-alone universities; they are not branch campuses of the University of Houston. The metropolitan area is home to two historically black colleges and universities: Texas Southern University and Prairie View A&M University. The University of Texas Medical Branch (UTMB) and Texas A&M University at Galveston, a branch campus of Texas A&M University, are located in Galveston.

Several private institutions of higher learning—ranging from liberal arts colleges to a nationally recognized research university—are located within the metropolitan area. The University of St. Thomas is a Catholic institution known for small classes (an average of 14 students per class). Rice University is one of the leading teaching and research universities of the United States and ranked the nation's 17th best overall university by U.S. News & World Report.

Three community college districts exist with campuses in and around Houston. The Houston Community College System serves most of Houston. The northwestern through northeastern parts of the metropolitan area are served by various campuses of the Lone Star College System, while the southeastern portion of the city and some surrounding areas are served by San Jacinto College. Eastern portions of the area and small sections of the city are served by Lee College. Portions of Fort Bend County are served by Wharton County Junior College. Portions of Galveston County are served by College of the Mainland and Galveston College. Portions of Brazoria County are served by Alvin Community College and Brazosport College. Blinn College serves portions of Austin County. The Houston Community College and Lone Star College systems are within the 10 largest institutions of higher learning in the United States.

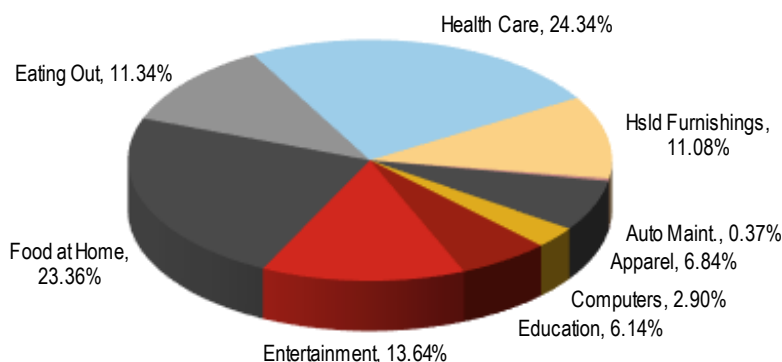
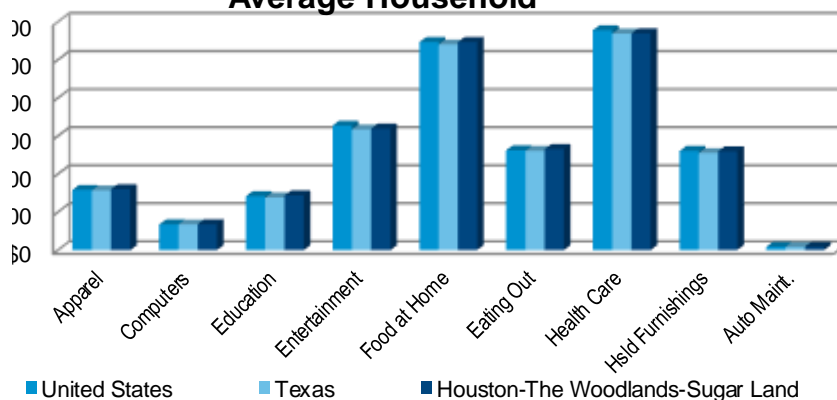
### **Household Trends**

The 2022 number of households in the metropolitan area was 2,631,554. The number of households in the metropolitan area is projected to grow by 1.6% annually, increasing the number of households to 2,848,140 by 2027. The 2022 average household size for the metropolitan area was 2.75, which was 9.04% larger than the United States average household size of 2.53 for 2022. The average household size in the metropolitan area is anticipated to retract by 0.01% annually, reducing the average household size to 2.75 by 2027. The Houston–The Woodlands–Sugar Land metropolitan area had 38.17% renter occupied units, compared to the lower 37.07% in Texas and the lower 35.54% in the United States.

### **Income Trends**

The 2022 median household income for the metropolitan area was \$80,171, which was 12.3% higher than the United States median household income of \$71,362. The median household income for the metropolitan area is projected to grow by 4.5% annually, increasing the median household income to \$100,048 by 2027. As is often the case when the median household income levels are lower than the national average, the cost of living index is also lower. According to the American Chamber of Commerce Researchers Association (ACCRA) Cost of Living Index, the Houston–The Woodlands–Sugar Land, TX MSA's cost of living is 92.9 compared to the national average score of 100. The ACCRA Cost of Living Index compares groceries, housing, utilities, transportation, health care and miscellaneous goods and services for over 300 urban areas.

## Consumer Spending Houston-The Woodlands-Sugar Land

Consumer Spending Comparison  
Average Household

## AIRPORT STATISTICS

The following chart summarizes the local airport statistics.

GEORGE BUSH INTERCONTINENTAL/HOUSTON AIRPORT (IAH)		
YEAR	ENPLANED PASSENGERS	% CHG
2011	19,306,660	-
2012	19,039,000	(1.4%)
2013	18,952,840	(0.5%)
2014	19,772,054	4.3%
2015	20,595,874	4.2%
2016	20,062,072	(2.6%)
2017	19,603,731	(2.3%)
2018	21,157,398	7.9%
2019	21,905,309	3.5%
2020	8,682,558	(60.4%)
2021	16,242,821	87.1%

Source: U.S. Department of Transportation

Houston's largest airport (IAH) recently realized its largest % change in passenger traffic in 2021 (87.1% YoY), which was preceded by COVID-19 in 2020 which drastically reduced the number of flights across the globe. Passenger traffic in 2021 increased significantly; however, to a level that was 74% of pre-pandemic (2019).

## EMPLOYMENT

Total employment has increased annually over the past decade in the state of Texas by 1.8% and increased annually by 1.3% in the area. From 2021 to 2022 unemployment decreased in Texas by 1.7% and decreased by 2.1% in the area. In the state of Texas unemployment has decreased over the previous month by 0.3% and decreased by 0.3% in the area.

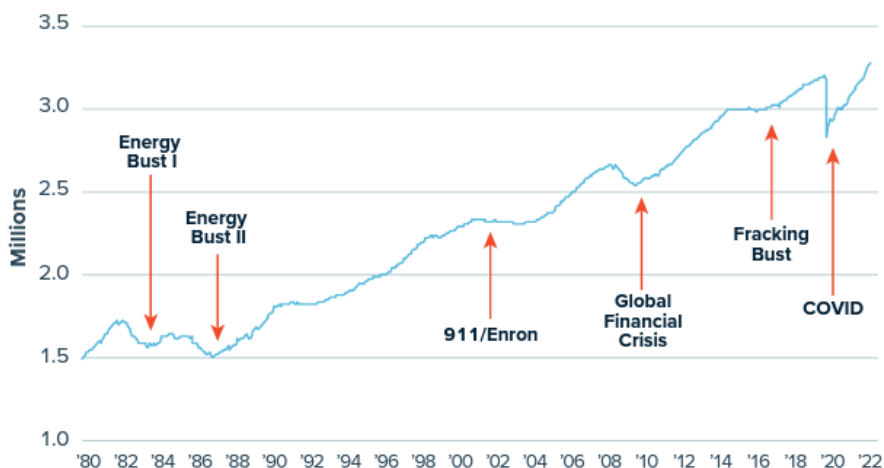
## EMPLOYMENT &amp; UNEMPLOYMENT STATISTICS 2013 - 2022

TOTAL EMPLOYMENT					UNEMPLOYMENT RATE		
Year	Texas		Houston-The Woodlands, TX Combined Statistical Area		United States*	Houston-The Woodlands, TX Combined Statistical Area	
	Total	% Δ Yr Ago	Total	% Δ Yr Ago		Texas	
2013	12,022,272	1.9%	3,060,177	2.8%	7.4%	6.3%	6.1%
2014	12,333,076	2.6%	3,150,557	3.0%	6.2%	5.2%	5.0%
2015	12,503,464	1.4%	3,185,880	1.1%	5.3%	4.5%	4.7%
2016	12,728,898	1.8%	3,203,685	0.6%	4.9%	4.6%	5.3%
2017	12,888,025	1.3%	3,219,335	0.5%	4.4%	4.3%	5.1%
2018	13,178,793	2.3%	3,287,859	2.1%	3.9%	3.9%	4.4%
2019	13,429,073	1.9%	3,348,158	1.8%	3.7%	3.5%	3.8%
2020	12,883,803	(4.1%)	3,185,558	(4.9%)	8.1%	7.7%	8.6%
2021	13,503,671	4.8%	3,301,812	3.6%	5.3%	5.6%	6.3%
2022	14,092,833	4.4%	3,441,221	4.2%	3.6%	3.9%	4.2%
<b>CAGR</b>	<b>1.8%</b>	<b>-</b>	<b>1.3%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Source: U.S. Bureau of Labor Statistics \*Unadjusted Non-Seasonal Rate

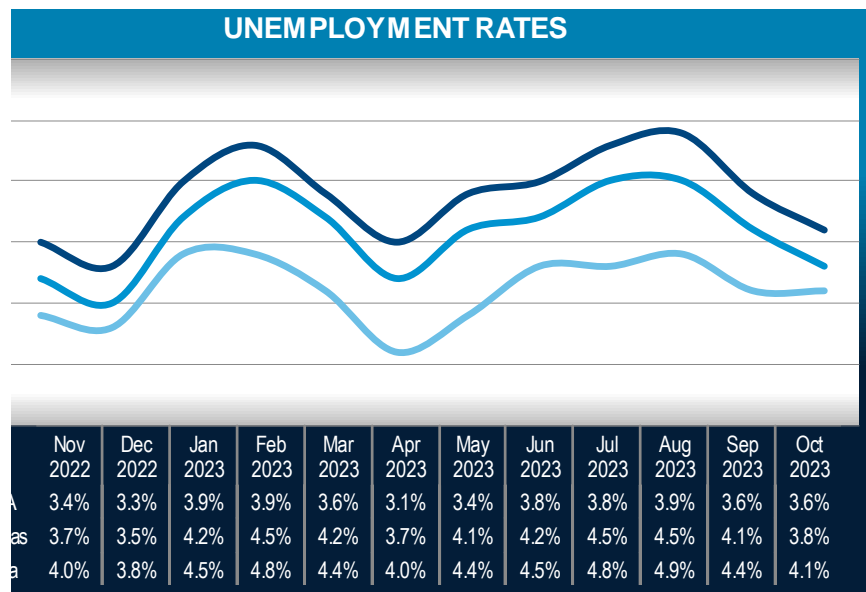
The Houston Metro area payroll employment has grown considerably over the past 10 years, up 10% or approximately 1% per year. The job growth over the past five years has been higher, averaging just over 100,000 jobs per year (excluding 2020). Job growth in 2022 was initially estimated at 179,000 and revised downward to 145,000, marking the highest job growth on record in the MSA.

## METRO HOUSTON EMPLOYMENT



Source: Texas Workforce Commission

The following chart depicts the unemployment rates in the United States, Texas, and the Houston Metro Area. The GHP opines that unemployment below 5.0% indicates a tight labor market. Below 4.0% indicates an extremely tight labor market.



The preceding chart depicts unemployment trends in the region, Texas and the U.S. Overall levels of unemployment in the region have fluctuated over the past 12 months due to counter-acting events. On one hand, the exploding demand for labor during the economic boon that pent up during 2020 due to forced shutdowns and health restrictions from COVID-19 in 2020 that persisted into 2022. On the other hand, the sharp increases in the Fed Funds Rate as of March 2022 of over 525 basis points, which has caused economic unrest, particularly from an investment standpoint with the economy projected by many to head into a recession. The Houston unemployment rate has generally been higher than the entire country and the state of Texas.

For 2023, the Greater Houston Partnership expects anywhere between 30,375 jobs and 79,225 jobs to be created with consideration given to the headwinds caused by the higher interest rate climate that prevails due to the Fed's determination to combat high inflation. The GHP's baseline probability at 50% would indicate 60,800 jobs for 2023, 30% probability for a best-case scenario of 79,225 jobs gained, and 20% probability for worst-case scenario of 30,375 jobs gained.

METRO HOUSTON 2023 EMPLOYMENT GROWTH			
Industry/Sector	Baseline 50% Probability	Best Case 30% Probability	Worst Case 20% Probability
Health Care and Social Assistance	7,400	9,100	6,100
Government	6,400	7,500	6,400
Construction	6,300	7,500	3,800
Professional, Scientific and Tech Services	5,925	7,900	2,500
Food Services and Drinking Places	4,800	6,400	3,200
Administrative Support, Waste Management	4,725	6,300	-3,500
Manufacturing	4,575	6,100	1,525
Energy (Exploration, Oil Field Services)	4,500	5,500	2,000
Retail Trade	3,800	4,750	2,850
Wholesale Trade	3,750	5,000	2,500
Transportation, Warehousing	3,675	4,900	2,450
Educational Services	2,300	2,875	1,150
Real Estate and Equipment Rentals	1,275	1,700	850
Finance and Insurance	1,000	1,600	800
Hotels	975	1,300	650
Arts, Entertainment, and Recreation	600	1,200	400
Information	300	600	-800
Other Services	-1,500	-1,000	-2,500
<b>Total Nonfarm Payroll Jobs</b>	<b>60,800</b>	<b>79,225</b>	<b>30,375</b>

Source: Greater Houston Partnership Research

### Houston's Top Employers

The largest employers in the Houston MSA are depicted in the following graphic sourced from the Greater Houston Partnership, 2022.

## Houston's Top Employers

### OVER 20,000 EMPLOYEES

H-E-B  
Houston Methodist  
Memorial Hermann Health System  
UT MD Anderson Cancer Center  
Walmart

### 10,000 TO 19,999 EMPLOYEES

CHI St. Luke's Health  
ExxonMobil  
HCA Houston Healthcare  
Kroger  
Schlumberger  
Texas Children's Hospital  
University of Houston  
UT Health Science Center  
UT Medical Branch Health System  
Wood Group

### 5,000 TO 9,999 EMPLOYEES

AT&T  
Baker Hughes  
Baylor College of Medicine  
BP America  
Chevron  
Daikin/Goodman  
Dow Chemical Co.  
Fiesta Mart  
Harris Health System  
Home Depot  
Houston Community College  
JPMorgan Chase  
Landry's  
Lone Star College  
LyondellBasell  
Michael E. DeBakey VA Medical Center  
NOV  
Occidental Petroleum  
Shell Oil Co.  
Target  
Texas A&M University  
United Airlines  
Walgreens

### 2,000 TO 4,999 EMPLOYEES

Academy Sports & Outdoors  
Accenture  
Air Liquide USA  
Ascend Performance Materials  
Austin Industrial Inc.  
Bank of America  
Bechtel Corp.  
Boeing  
Brinker International  
CenterPoint Energy  
Chevron Phillips Chemical Co.  
Comcast  
ConocoPhillips  
CVS Health  
Deloitte  
Enterprise Products Partners  
EY  
FedEx  
Fluor Corp.  
The Friedkin Group, Inc.  
Grocers Supply Company  
Group 1 Automotive  
Halliburton  
Hewlett Packard Enterprise  
HP Inc.  
Jacobs  
KBR  
Kelsey-Seybold Clinic  
Kinder Morgan  
Lowe's Cos.  
Macy's  
Metropolitan Transit Authority  
NASA - Johnson Space Center  
NRG  
Phillips 66  
Randalls  
Rice University  
S&B Engineers and Constructors  
Sam's Club  
Sam Houston State University  
San Jacinto Community College  
Sysco Corp.  
TechnipFMC  
Texas Home Health  
Turner Industries  
Universal Plant Services  
Weatherford International Ltd.  
Wells Fargo

Note: The list includes only private sector employers, except for Texas Medical Center institutions and institutions of higher education, and excludes fast-food chains.  
Source: Greater Houston Partnership Research, April 2022.

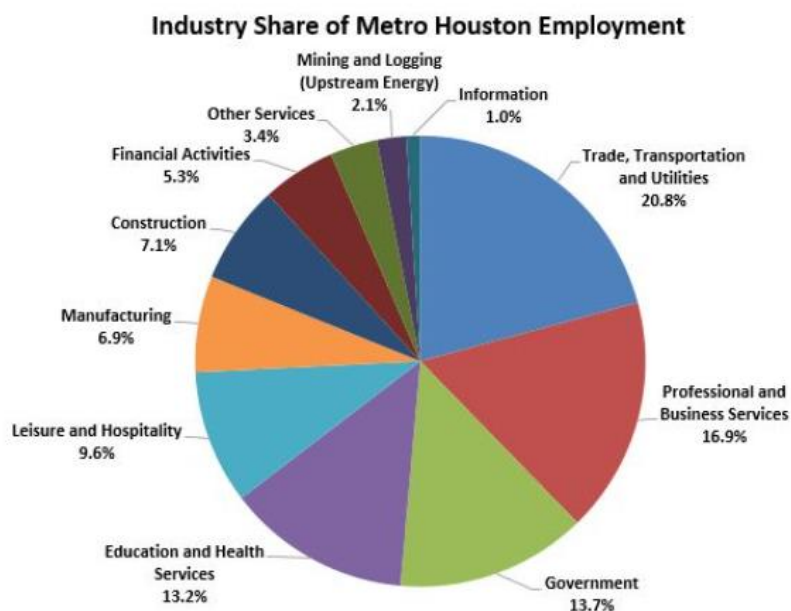


## ECONOMY

According to the Greater Houston Partnership's March 2021 Report, Houston Facts, the top five industries by employment in the Houston MSA is comprised of Trade, Transportation & Utilities (20.8%), Professional and Business Services (16.9%), Government (13.7%), Educational and Health Services (13.2%), and Leisure & Hospitality (9.6%).

Over the last 15 years, Houston has been through three economic downturns (Financial Recession, the Fracking Bust, and COVID-19) and two major storms (Hurricane Ike and Harvey), and has managed to gain 1.4 million residents, created over 500,000 jobs, and added \$100 billion to the MSA's GDP. Although substantial jobs were lost in the Financial Recession (120,000), the MSA recovered all lost jobs within two years after the event. Over the next several years, the MSA created 100,000 jobs annually (on average) until oil prices fell from \$100 per barrel to \$26 per barrel in 2016. Coupled with the oil price collapse the region saw 93,000 jobs lost, largely impacted by the oil and gas industry but offset by growth in the construction, retail, health care, business, professional services, and hospitality industries. While the Houston MSA's economy is diversified, it is still largely dependent on oil and gas as several of the largest employers in the region are related to oil and gas.

The U.S. rig count as of November 10, 2023 was 616, which has been on a steady decline since December 2022 (784 rigs online). Approximately 53% of oil rigs operating in North America are located in the Permian Basin, up from 35% prior to the downturn. Energy companies have restructured to operate profitably in a low-price environment. A Q2 2022 report by the Federal Reserve Bank of Dallas indicated new wells drilled in the Permian Basin and Eagle Ford areas of Texas break even between \$48-\$54 per barrel (WTI price).



Source: Texas Workforce Commission, December 2020, not seasonally adjusted

## WTI

In March 2020, the spread of Coronavirus (COVID-19) across the globe lead countries to ban travel to/from “hotspot” countries which grounded more than 50% of all air traffic across the world. This, along with stay-at-home orders reduced all travel significantly, and demand for oil and many oil-related products waned broadly. This sent the price of WTI from around \$61 per barrel in January 1, 2020 to a low around \$20 per barrel on March 18, 2020. The May WTI Futures contract, which closed on April 20, fell to -\$37.63, going negative for the first time in history. This price collapse has led many oil & gas related companies to lay off or furlough large portions of their workforce, reduce executives’ compensation, and halt dividend payments. Many of these oil companies are headquartered in Houston. However, as of market open on November 15, 2023, the WTI December 2023 Futures price was approximately \$76 per barrel which is off from a recent high of about \$94 per barrel in September 2023.

**SPOT PRICE, WEST TEXAS INTERMEDIATE**  
Monthly Average

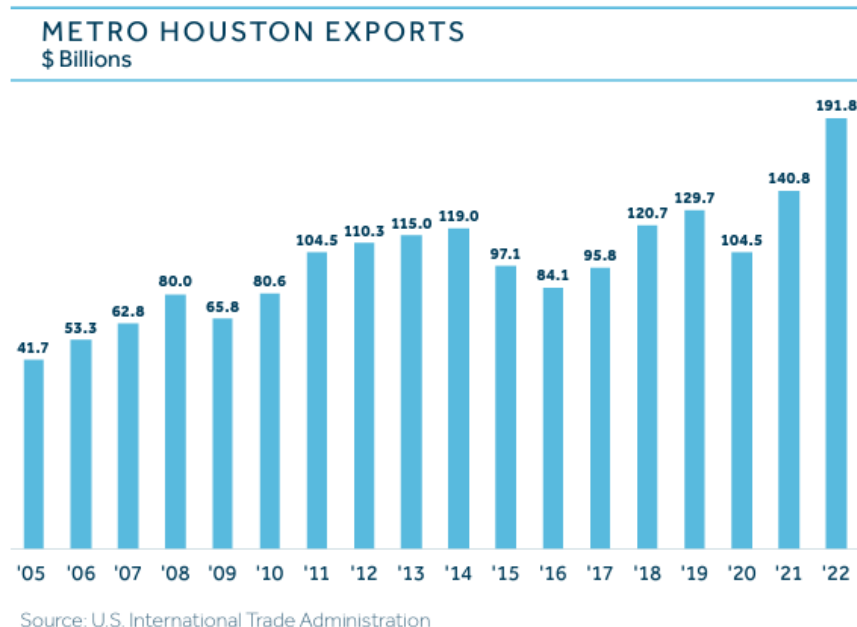


Source: U.S. Energy Information Administration

Despite the negative environment surrounding the energy industry in the wake of the oil glut, the Port of Houston has continued to flourish. In June 2016, the expansion of the Panama Canal was completed. Originally set-back by China’s economic slowdown, the expansion has allowed Panamax ships to cross the canal. The Port of Houston has become a primary beneficiary of canal shipping activity as marine-based trade routes between the Gulf Coast, Latin America, and Asian countries are more accessible. The Panama Canal can now accommodate a class of ships termed New Panamax, which are 1,401 FT in length by 60 FT in depth and have a carrying capacity of 14,000 TEU’s. The Port of Houston is currently capable of accommodating New Panamax sized vessels. The fastest growing trade lane for the Port of Houston is imports and exports to Asian countries. As of 2021, Houston was ranked #1 in total tonnage across the U.S. and import containers from East Asia has grown 63% since 2016. The Port Authority also noted the increase in exports since the Panama Canal expansion to the note of 96% since 2016. It has been cited shipping directly to the Port of Houston may offer lower costs versus shipping an import to the West Coast and transporting the cargo inland by train or truck.

## Trade

Houston's exports have grown from \$104.5 billion in 2011 to \$191.8 billion in 2022, according to data compiled by Greater Houston Partnership shown below.



The Houston metro was the top U.S. exporting metro in 2022 and no other metro has experienced the same growth over the ten-year period. Houston accomplished this as oil prices have fluctuated from \$11.35 (Dec '98) to a high of \$147.27 per barrel (July '08) and less-than-half low of \$26.49 (Jan '16). Houston's export tonnage has increased nearly 200% since 2008. The growth is largely driven by supply, not demand, with the top five commodities accounting for 68% of all commodities (by Value).

Exports of crude have quadrupled since Congress lifted the ban on crude exports in 2015. The ethane crackers and chemical plants developed during the height of the fracking boom are online and exports of chemicals and plastics are up by 50% compared to five years prior. The Texas Legislature is expected to approve a rule that would limit the number of container ships of 9,500-TEU or greater able to call the Port of Houston to one per week effective September 1, 2019. The pending legislation would not limit the port's ability to accommodate 9,000-TEU ships and meet growing cargo demands in the short term. The port is using the rule effective September 1 as pressure to expedite a project to widen the Houston Ship Channel within five years. Total container volume (including empty containers) was up 10.2 percent year-over-year by the end of 2021, according to the Port of Houston Authority.

## TOP U.S. EXPORTING METROS - 2022

Metro	Exports \$ Billions
Houston	191.8
New York	120.6
Chicago	63.4
Los Angeles	61.0
New Orleans	52.9
Dallas-Fort Worth	50.6
Miami	41.5
Detroit	40.4
El Paso	36.5
Portland	34.4

Source: U.S. Census Bureau;  
U.S. Exports by Metropolitan Area

## Texas Medical Center

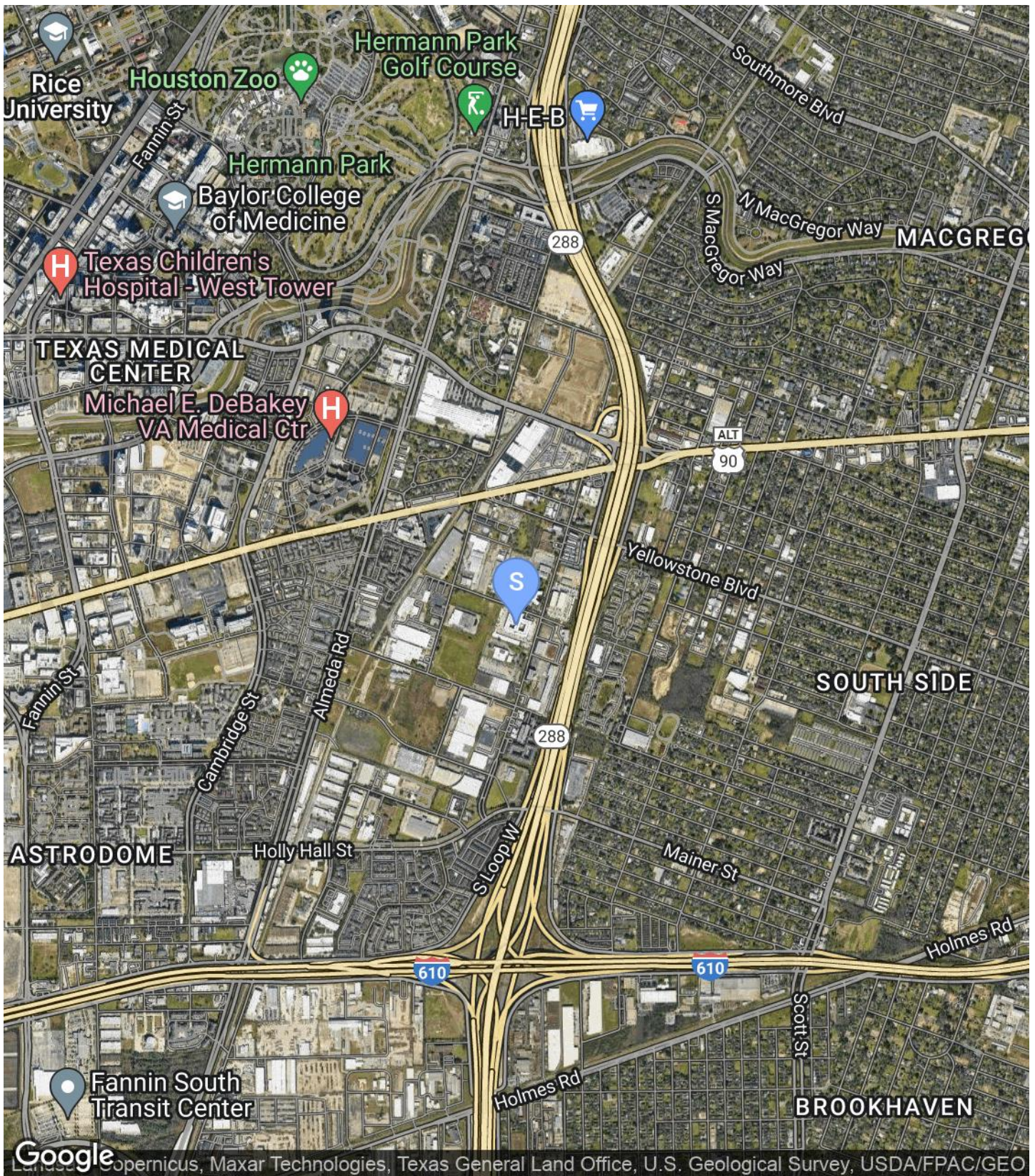
Houston is home to the Texas Medical Center, the world's largest concentration of medical facilities with 61 member institutions. \$3 billion in new construction is planned for the next ten years, including the expansion of the Harris County Psychiatric Hospital and the addition of Texas A&M's Health Science Center on the TMC3 collaborative research campus. The TMC3 translation research campus is slated to open in the Fall of 2023 and will cover a 37-acre campus. The founding TMC3 member institutions are: the Texas Medical Center, Baylor College of Medicine, Texas A&M University Health Science Center, the University of Texas Health Science Center at Houston, and the University of Texas MD Anderson Cancer Center. Per the GHP's Houston Facts 2022 report,

the TMC3 is expected to create over 26,540 permanent jobs and bring \$5.4B annually to Texas' economy. In the 2021 Global Cities Report Index, Houston fell five spots to No. 37 from the previous report (ranked by AT Kearney). Patrick Jankowski, regional economist at the Greater Houston Partnership, reported close to 700 announcements in the region over the last 10 years of foreign firms staking investments in Houston.

## SUMMARY

With a strong and diverse economy, the Houston MSA is home to world renowned corporations and Fortune 500 companies serving as the backbone for the city's economy and its continued growth. High oil prices are not a permanent fixture of the oil business or the regional economy; however, low oil prices are similarly impermanent. The regional economy has achieved significant diversification into non-energy sectors including trade, distribution, healthcare, technology and construction. Prior to the COVID-19 pandemic, the Houston economic outlook was bright with an influx of nearly 1.4 million people since 2008 and positive job growth every year since 2010 (with a minor hiatus between 2016 and 2017). The COVID-19 pandemic hurt the Houston economy severely; however, with 159,700 jobs added in 2021 the region has recovered all jobs lost during the pandemic. The Houston MSA gained 145,000 jobs in Houston in 2022, which marks the best year for job growth since employment records have been kept going back to the early 1980s. Overall, the Houston MSA region is attractive to potential investors as it offers a vibrant atmosphere, supported by top universities, urban attractions, and a history of resiliency. However, rapidly increasing interest rates by the Fed to combat soaring inflation may threaten real estate values, especially if it leads to an economic recession.







## INTRODUCTION

In this section of the report, we provide details about the local area and describe the influences that bear on the real estate market as well as the subject property. A map of the local area is presented on the prior page. Below are insights into the local area based on fieldwork, interviews, demographic data and experience working in this market.

## LOCAL AREA PROFILE

The subject property is in Houston, Texas, the seat of Harris County. According to the 2020 census, Houston had a population of 2,320,268 people, making it the most populous city in Texas and the southern United States. The city is in southeastern Texas near Galveston Bay and the Gulf of Mexico, within the counties of Harris, Fort Bend, and Montgomery. Interstates 10, 45, and 69, and U.S. Route 90 intersect the city. Air transportation is provided by George Bush Intercontinental Airport and William P. Hobby Airport.

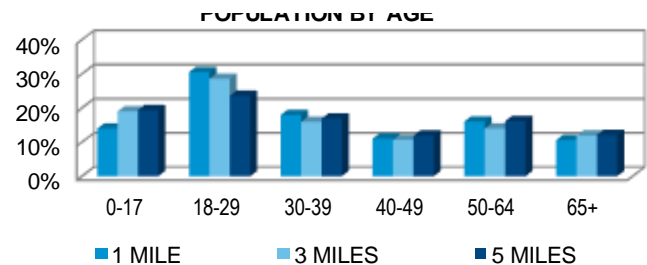
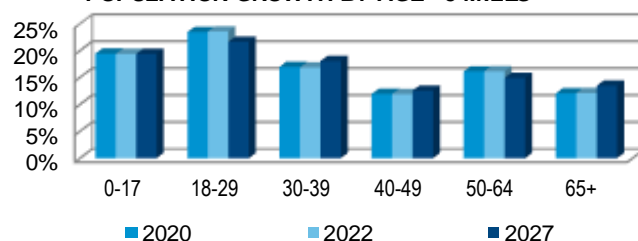
## DEMOGRAPHIC PROFILE

Below is a demographic study of the area, sourced by *Pitney Bowes/Gadberry Group - GroundView®*, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of properties and geographical areas. Please note that our demographics provider sets forth income projections in constant dollars which, by definition, reflect projections after adjustment for inflation. We are aware of other prominent demographic data providers that project income in current dollars, which do not account for inflation. A simple comparison of projections for a similar market area made under the constant and current dollar methodologies can and likely will produce data points that vary, in some cases, widely. Further, all forecasts, regardless of demographer methodology(ies), are subjective in the sense that the reliability of the forecast is subject to modeling and definitional assumptions and procedures.

## LOCAL AREA DEMOGRAPHICS

DESCRIPTION	1 MILE	3 MILES	5 MILES	DESCRIPTION	1 MILE	3 MILES	5 MILES
<b>POPULATION</b>				<b>AVERAGE HOUSEHOLD INCOME</b>			
2010 Population	16,326	130,972	354,874	2022	\$71,642	\$97,066	\$118,066
2020 Population	17,692	150,847	400,975	2027	\$86,237	\$117,972	\$139,801
2022 Population	18,682	154,476	407,754	Change 2022-2027	20.37%	21.54%	18.41%
2027 Population	19,800	162,998	430,911	<b>MEDIAN HOUSEHOLD INCOME</b>			
Change 2010-2020	8.37%	15.17%	12.99%	2022	\$55,344	\$59,963	\$75,386
Change 2020-2022	5.60%	2.41%	1.69%	2027	\$66,925	\$74,555	\$95,632
Change 2022-2027	5.98%	5.52%	5.68%	Change 2022-2027	20.93%	24.34%	26.86%
<b>POPULATION 65+</b>				<b>PER CAPITA INCOME</b>			
2020 Population	1,902	17,811	48,411	2022	\$37,830	\$47,200	\$55,792
2022 Population	1,980	18,407	49,407	2027	\$46,105	\$58,236	\$67,408
2027 Population	2,434	21,839	58,132	Change 2022-2027	21.87%	23.38%	20.82%
Change 2020-2022	4.10%	3.35%	2.06%	<b>2022 HOUSEHOLDS BY INCOME</b>			
Change 2022-2027	22.93%	18.65%	17.66%	<\$15,000	15.5%	16.7%	11.5%
<b>NUMBER OF HOUSEHOLDS</b>				\$15,000-\$24,999	8.1%	8.0%	7.1%
2010 Households	7,743	55,620	149,536	\$25,000-\$34,999	9.5%	7.7%	6.3%
2020 Households	8,744	64,270	176,977	\$35,000-\$49,999	10.1%	10.5%	10.0%
2022 Households	9,601	67,545	184,389	\$50,000-\$74,999	20.8%	17.2%	14.9%
2027 Households	10,330	72,674	199,339	\$75,000-\$99,999	14.8%	10.4%	11.9%
Change 2010-2020	12.93%	15.55%	18.35%	\$100,000-\$149,999	14.7%	11.9%	14.2%
Change 2020-2022	9.80%	5.10%	4.19%	\$150,000-\$199,999	2.6%	5.1%	6.8%
Change 2022-2027	7.59%	7.59%	8.11%	\$200,000 or greater	3.9%	12.6%	17.3%
<b>HOUSING UNITS (2022)</b>				<b>MEDIAN HOME VALUE</b>			
Owner Occupied	2,487	23,627	76,458		\$120,710	\$233,316	\$284,427
Renter Occupied	7,110	43,959	107,949	<b>AVERAGE HOME VALUE</b>			
<b>HOUSING UNITS BY YEAR BUILT</b>					\$164,900	\$428,671	\$489,257
Built 2010 or later	990	7,892	28,943	<b>HOUSING UNITS BY UNITS IN STRUCTURE</b>			
Built 2000 to 2009	1,467	10,247	30,600	1, detached	1,962	24,847	75,794
Built 1990 to 1999	1,526	7,277	21,960	1, attached	544	2,894	11,962
Built 1980 to 1989	3,103	9,316	17,211	2	135	2,060	4,522
Built 1970 to 1979	522	7,029	16,930	3 or 4	865	4,138	7,524
Built 1960 to 1969	567	5,134	16,808	5 to 9	1,349	5,337	9,888
Built 1950 to 1959	797	8,904	23,432	10 to 19	1,747	6,455	13,829
Built 1940 to 1949	559	6,250	12,682	20 to 49	515	4,444	11,099
Built 1939 or earlier	71	5,496	15,822	50 or more	2,463	17,167	48,920
				Mobile home	19	245	863
				Boat, RV, van, etc.	0	0	6

Source: Pitney Bowes/Gadberry Group - GroundView®



## Transportation Routes

Major traffic arteries are shown in the chart below:

## MAJOR ROADWAYS &amp; THOROUGHFARES

HIGHWAY	DIRECTION	FUNCTION	DISTANCE FROM SUBJECT
Hardy Toll Road	north-south	Local Highway	This is just down the street from the subject property.
Interstate 45	north-south	Interstate Highway	This is within a mile of the subject property.
SURFACE STREETS	DIRECTION	FUNCTION	DISTANCE FROM SUBJECT
FM 1960	east-west	Primary Arterial	This is just down the street from the subject property.
East Hufsmith Road	east-west	Secondary Arterial	This is within 3 miles of the subject property.

### Economic Factors

Houston's economy has a diverse industrial base in energy, manufacturing, aeronautics, and transportation. The city is home to the world's largest concentration of healthcare organizations. The University of Houston System, a state university system, encompassing four separate and distinct universities, is a significant contributor to the Texas economy, with an estimated profit of \$3 billion annually, while generating approximately 24,000 jobs. Houston has a strong energy industry, particularly for oil and natural gas, as well as biomedical research and aeronautics. Houston is home to 40 Fortune 500 companies, including Phillips 66, Enterprise Products Partners, Sysco, Plains All American Pipeline, and Halliburton. The city is the center for petrochemical industries in the nation. Houston is also a leading center for building oilfield equipment. Much of its gain as a petrochemical complex is due to the Port of Houston. The Port of Houston ranks first in the nation for international waterborne tonnage handled and second in total cargo tonnage handled, which has given the city a strong international business community.

### Community Services

Community services and facilities are readily available in the surrounding area. These include public services such as fire stations, hospitals, police stations, and schools (all ages).

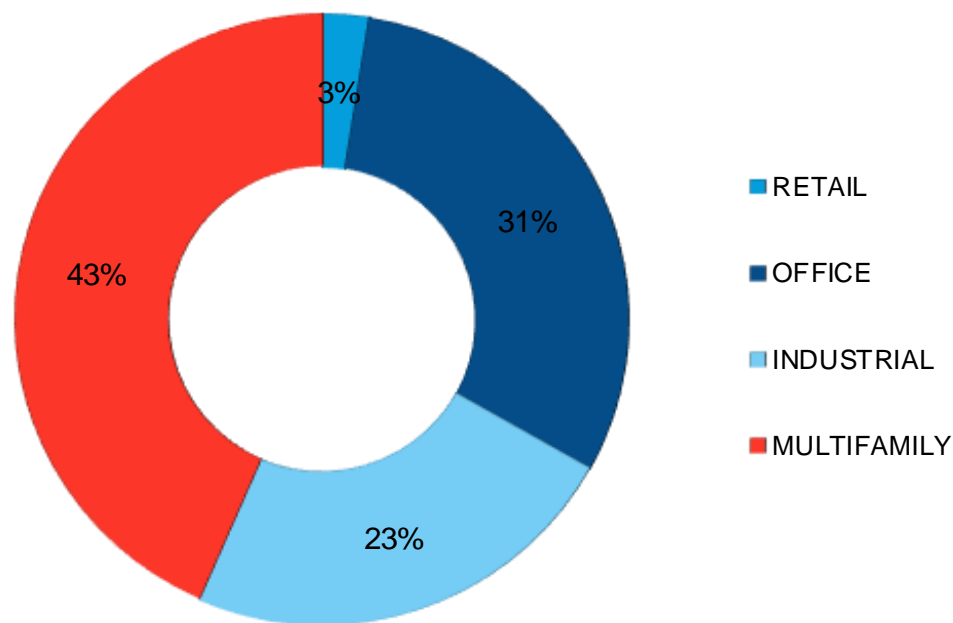
### IMMEDIATE AREA PROFILE

This section discusses uses and development trends in the immediate area that directly impact the performance and appeal of the subject property.

### Predominant Land Uses

Significant development in the immediate area consists of office, multifamily and mixed uses along major arterials that are interspersed with single-family residential development removed from arterials. The immediate area also includes older industrial sites which are being redeveloped for commercial or multifamily use. The local area has a mix of commercial uses nearby and the composition is shown in the following graph.

### COMMERCIAL AREA COMPOSITION



©CoStar



## Multi-Family Development

The following chart shows a summary of multi-family data by type in the immediate area from CoStar.

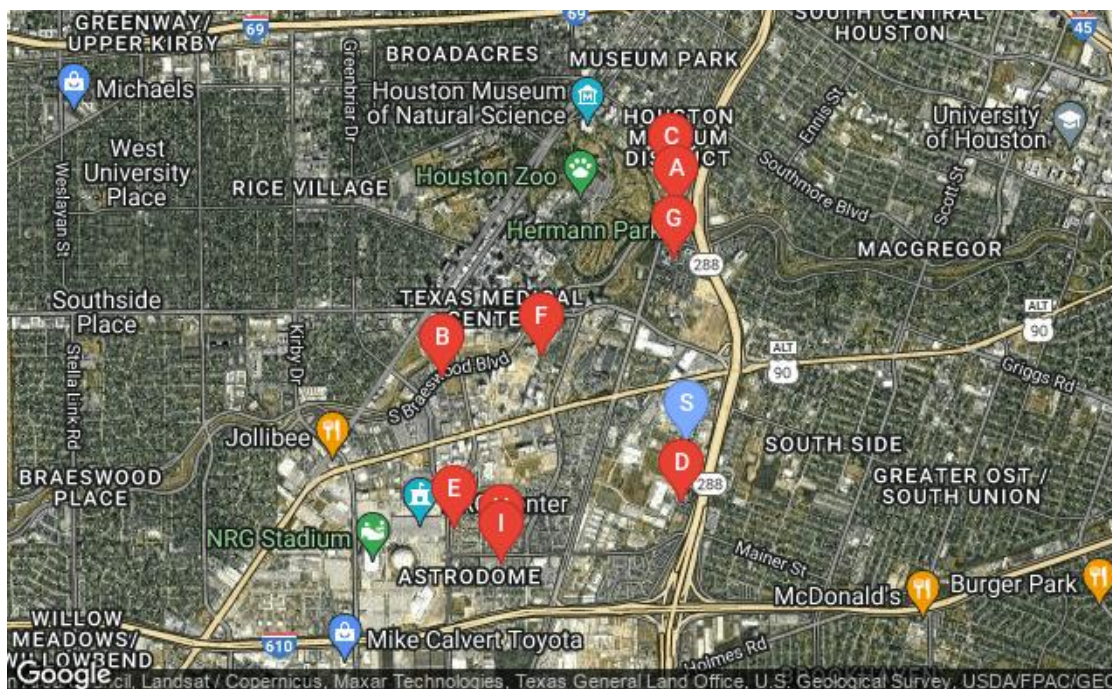
MULTIFAMILY SUMMARY			
CLASS	PROPERTIES	NRA (SF)	AVG YR BLT
A	26	8,282,583	2005
B	36	7,865,154	1986
C	34	2,311,518	1966
<b>TOTAL</b>	<b>96</b>	<b>18,459,255</b>	<b>1984</b>

Source: CoStar

The largest three multi-family properties are at 5925 Alameda Road, 1819 South Braeswood Boulevard and 3 Hermann Museum Circle Drive with an NRA of 936,311 SF, 729,681 SF and 706,892 SF that were built in 2008, 1998 and 2003, respectively. The closest large multi-family property in proximity to the subject is at 8181 Fannin Street with an NRA of 577,327 SF that was built in 1995. The majority of properties were constructed after 2000. The following chart and map show the subject property and its location relative to the 10 largest multi-family properties in the immediate area from CoStar.

LARGEST MULTIFAMILY PROPERTIES						
NAME	DISTANCE	MAP PIN	CLASS	NRA (SF)	STORIES	YEAR BUILT
The Mosaic on Hermann Park	12.7 Miles	A	B	936,311	29	2008
The Lanesborough	11.1 Miles	B	B	729,681	3	1998
Esplanade & Amalfi	12.7 Miles	C	A	706,892	4	2003
Avanti Cityside	12.3 Miles	D	A	643,698	4	2007
8181 Med Center	11.0 Miles	E	B	577,327	3	1995
Adenine Apartments	11.7 Miles	F	A	576,078	6	2015
Hermann Park Lofts	12.6 Miles	G	A	557,397	10	1963
Twenty One Eleven Holly Hall	11.2 Miles	H	B	542,367	3	1971
Scotland Yard	11.2 Miles	I	C	535,218	3	1981
Amalfi	12.7 Miles	J	A	527,457	4	2007

Source: CoStar



## Retail Development

The following chart shows a summary of retail data by type in the immediate area from CoStar.

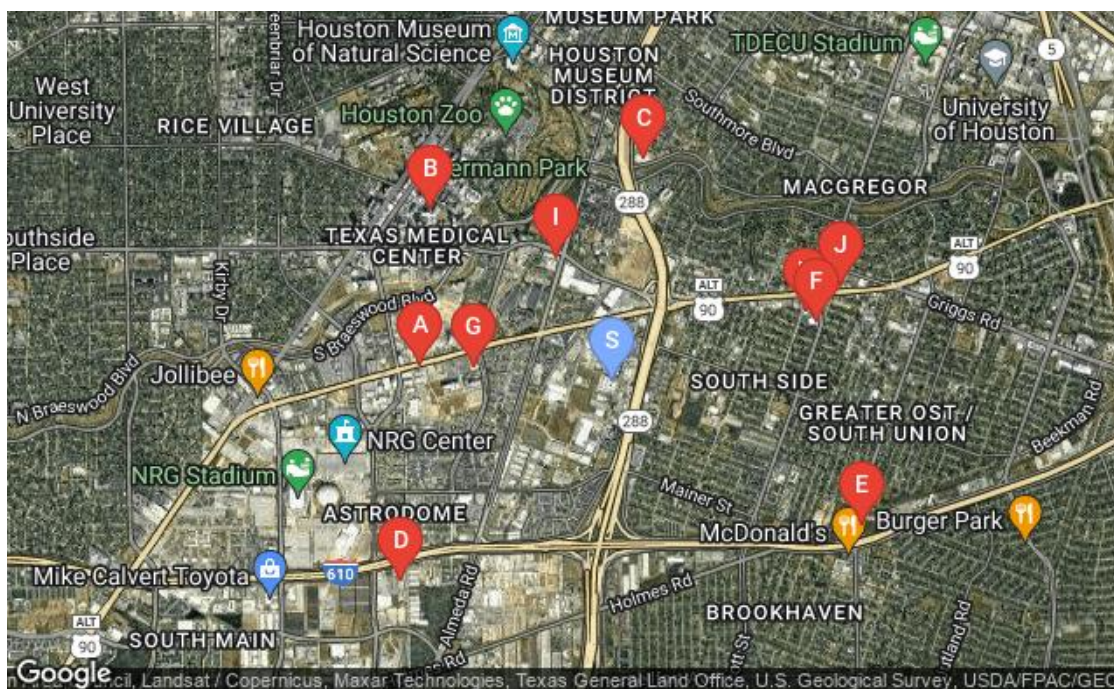
RETAIL SUMMARY					
TYPE	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
General Retail	56	1,058,861	1982	98.1	-
<b>TOTAL</b>	<b>56</b>	<b>1,058,861</b>	<b>1982</b>	<b>98.1</b>	<b>\$0.00</b>

Source: CoStar

The largest three retail properties are at Old Spanish Trail, 6550 Bertner Avenue and 6055 South Freeway with an NRA of 138,000 SF, 135,596 SF and 90,000 SF that were built in 2023, 0 and 2019, respectively. The closest large retail property in proximity to the subject is at 1515 South Loop West with an NRA of 72,866 SF that was built in 2000. The majority of properties were constructed before 2000. The following chart and map show the subject property and its location relative to the 10 largest retail properties in the immediate area from CoStar.

LARGEST SHOPPING CENTERS						
NAME	DISTANCE	MAP PIN	TYPE	NRA (SF)	% LEASED	YEAR BUILT
TMC Helix Park	11.3 Miles	A	General Retail	138,000	100.0	2023
Texas Medical Center Commons	11.6 Miles	B	General Retail	135,596	100.0	-
H-E-B	12.9 Miles	C	General Retail	90,000	100.0	2019
Retail Building	11.0 Miles	D	General Retail	72,866	100.0	2000
King Center	13.7 Miles	E	Neighborhood Center	72,000	-	1952
Renaissance Center	13.7 Miles	F	Neighborhood Center	56,876	100.0	1996
Retail Building	11.6 Miles	G	General Retail	51,296	-	1982
Renaissance Center	13.6 Miles	H	Neighborhood Center	32,730	62.2	1996
Retail Building	12.3 Miles	I	General Retail	29,050	100.0	1995
Retail Building	13.8 Miles	J	General Retail	28,065	100.0	1950

Source: CoStar





## Office Development

The following chart shows a summary of office data by class in the immediate area from CoStar.

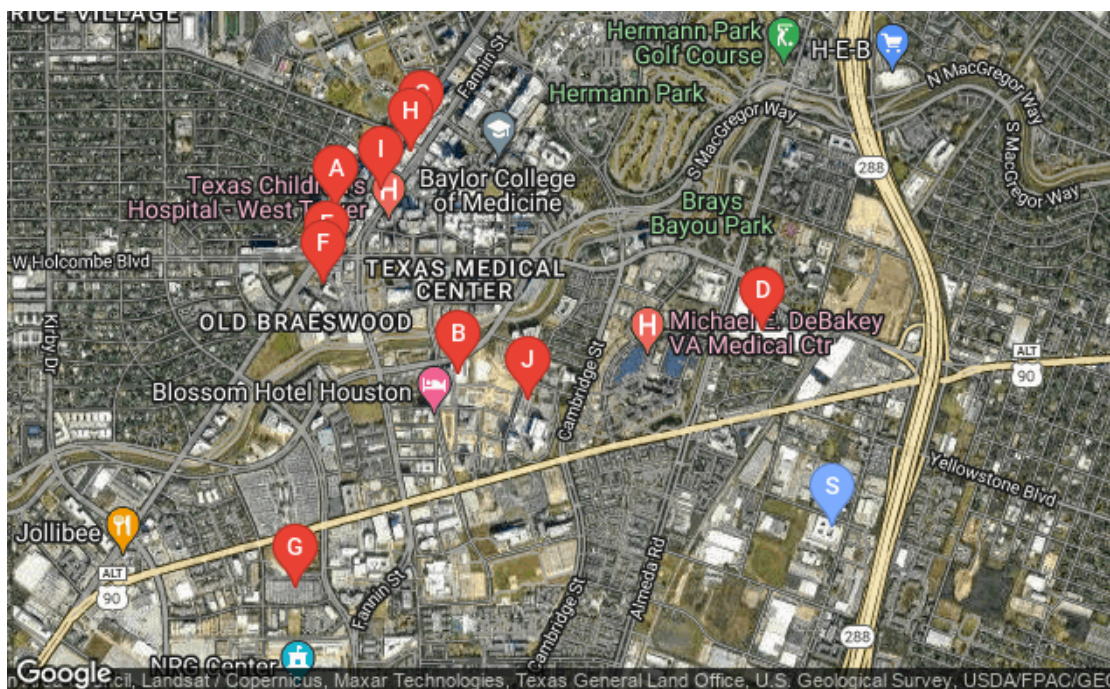
OFFICE SUMMARY					
CLASS	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
A	19	9,137,704	2000	83.6	\$29.80
B	26	2,099,582	1990	90.4	\$26.33
C	35	1,775,594	1974	96.3	\$22.00
<b>TOTAL</b>	<b>80</b>	<b>13,012,880</b>	<b>1986</b>	<b>91.4</b>	<b>\$25.26</b>

Source: CoStar

The largest three office properties are at 6700 Main Street, 7007 Bertner Avenue and 6550 Fannin Street with an NRA of 1,700,000 SF, 895,597 SF and 733,044 SF that were built in 0, 2012 and 1988, respectively. The closest large office property in proximity to the subject is at 1500 Old Spanish Trail with an NRA of 485,000 SF that was built in 1973. The majority of properties were constructed before 2000. The following chart and map show the subject property and its location relative to the 10 largest office properties in the immediate area from CoStar.

LARGEST OFFICE BUILDINGS						
NAME	DISTANCE	MAP PIN	CLASS	NRA (SF)	% LEASED	YEAR BUILT
Innovation Tower	11.2 Miles	A	A	1,700,000	100.0	-
University Of Texas MD Andersc	11.4 Miles	B	A	895,597	100.0	2012
Smith Tower	11.5 Miles	C	A	733,044	100.0	1988
TMC Innovation	12.3 Miles	D	A	650,000	93.7	1948
Texas A&M Innovation Plaza	11.2 Miles	E	A	572,188	100.0	1962
Texas A&M Innovation Plaza	11.1 Miles	F	A	521,552	100.0	2024
Shell Oil Information Center	10.8 Miles	G	A	485,000	0.0	1973
Scurlock Tow er	11.5 Miles	H	A	478,000	100.0	1980
6624 Fannin Tow er	11.4 Miles	I	A	445,725	72.3	1989
O'Quinn Medical Tow er McNair C	11.6 Miles	J	A	427,000	100.0	2022

Source: CoStar





## Industrial Development

The following chart shows a summary of industrial data by type in the immediate area from CoStar.

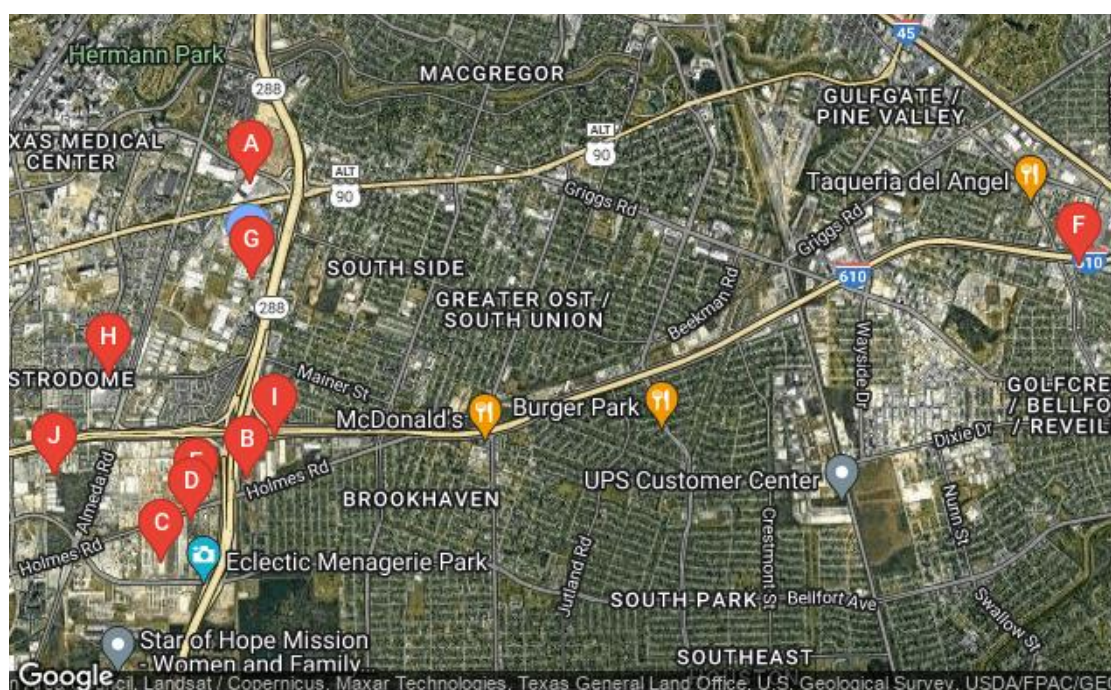
INDUSTRIAL SUMMARY					
TYPE	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
Industrial	200	9,099,416	1972	98.8	\$6.24
Flex	24	841,646	1981	87.4	\$13.50
<b>TOTAL</b>	<b>224</b>	<b>9,941,062</b>	<b>1973</b>	<b>97.6</b>	<b>\$7.02</b>

Source: CoStar

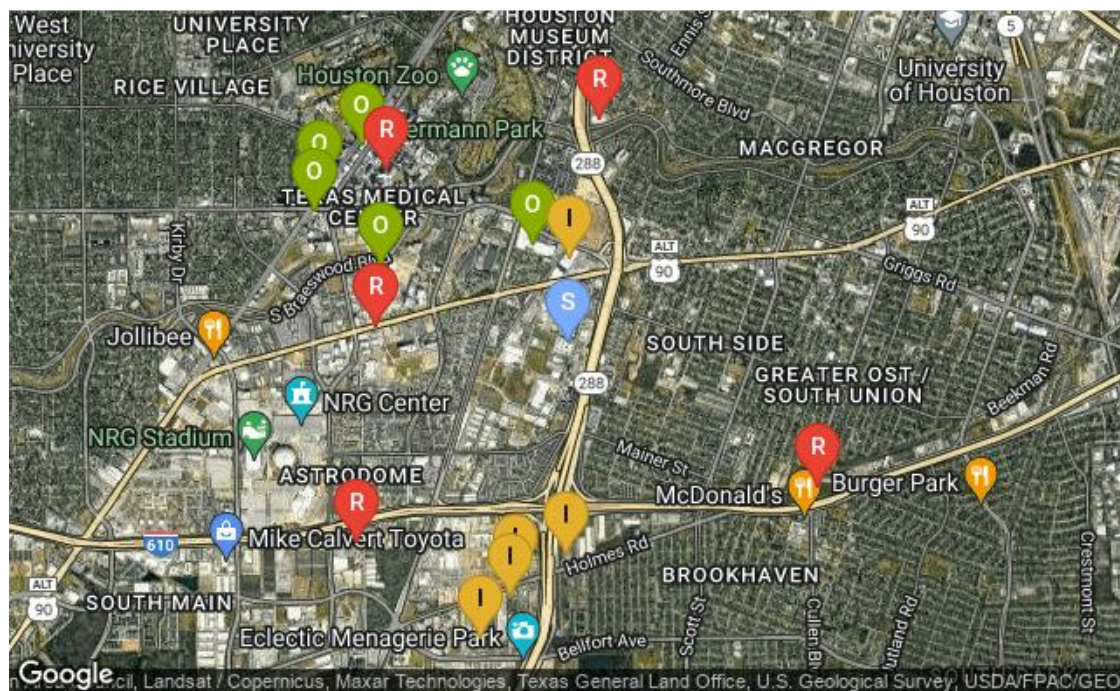
The largest three industrial properties are at 3131 Holcombe Boulevard, 3101 Holmes Road and 2702-2748 Holmes Road with an NRA of 528,943 SF, 500,000 SF and 350,391 SF that were built in 1953, 1960 and 1980, respectively. The closest large industrial property in proximity to the subject is at 8825-8847 Knight Road with an NRA of 205,812 SF that was built in 1980. All of the properties were constructed before 2000. The following chart and map show the subject property and its location relative to the 10 largest industrial properties in the immediate area from CoStar.

LARGEST INDUSTRIAL PROPERTIES						
NAME	DISTANCE	MAP PIN	TYPE	NRA (SF)	% LEASED	YEAR BUILT
Industrial Building	12.5 Miles	A	Industrial	528,943	0.0	1953
Industrial Building	12.2 Miles	B	Industrial	500,000	100.0	1960
Southland Dist. Center	11.7 Miles	C	Industrial	350,391	100.0	1980
Southland Dist. Center	11.9 Miles	D	Industrial	341,820	100.0	1977
TurboScope	11.9 Miles	E	Industrial	300,000	100.0	1939
Industrial Building	17.2 Miles	F	Industrial	288,013	100.0	1982
Industrial Building	12.4 Miles	G	Industrial	285,000	100.0	1952
Dr. Pepper Bottling	11.5 Miles	H	Industrial	215,156	100.0	1981
South Loop Business Park	12.4 Miles	I	Industrial	212,996	100.0	1973
Astro Business Park	11.1 Miles	J	Industrial	205,812	89.1	1980

Source: CoStar



The following map shows the subject property and the five largest retail, office, and industrial properties in the immediate area from CoStar.



## SUBJECT PROPERTY ANALYSIS

The following discussion draws context and analysis on how the subject property is influenced by the local and immediate areas.

### Subject Property Analysis

The uses adjacent to the property are noted below:

- › **North** - Office
- › **South** - Industrial
- › **East** - Industrial
- › **West** - Vacant land / Industrial

### Access

The subject is located on the corner on Ardmore Street and Alice Street which are both neighborhood collector streets. The subject is located one block off of highway 288 but does not have direct access to the highway. The subject's is located only a few miles from the Texas Medical Center but is separated from it by several major roadways as well as a railroad track with no vehicle crossings. According to the property manager the subject does not have walkable access to the Medical Center. According to brokers who previously listed the subject property, the subject's access was a major contributor to its poor occupancy.

### Visibility

The subject is clearly visible in both directions along the street. The visibility of the property is not hampered by adjacent properties, trees or other obstructions. However, the subject is not visible from major roadways. In comparison to competitive properties, the subject property has fair visibility.

### Subject Conclusion

Trends in the local and immediate areas, adjacent uses and the property's specific location features indicate an overall negative external influence for the subject, which is concluded to have a below average position in context of competing properties.

## SUMMARY

With a strong and diverse economy, Houston is home to world renowned corporations and Fortune 500 companies serving as the backbone for the city's economy and its continued growth. Houston is attractive to potential investors as it offers a competitive business environment, supported by top universities, urban attractions, and a history of stability. Real estate in the Houston area market should ultimately enjoy relative strength in terms of value stability and appreciation for the foreseeable future.



<b>General Description</b>	The subject site consists of 1 parcel. As noted below, the subject site has 278,452 SF (6.39 AC) of land area. The area is estimated based on the assessor's parcel map, and may change if a professional survey determines more precise measurements. The following discussion summarizes the subject site size and characteristics.	
<b>Assessor Parcel</b>	1500190010002	
<b>Number Of Parcels</b>	1	
<b>Land Area</b>	<b>Acres</b>	<b>Square Feet</b>
Primary Parcel	6.39	278,452
Unusable Land	0.00	0
Excess Land	0.00	0
<u>Surplus Land</u>	<u>0.00</u>	<u>0</u>
<b>Total Land Area</b>	<b>6.39</b>	<b>278,452</b>
<b>Shape</b>	Rectangular - See Plat Map For Exact Shape	
<b>Topography</b>	Level at street grade	
<b>Adjacent Use North</b>	Office	
<b>Adjacent Use South</b>	Industrial	
<b>Adjacent Use East</b>	Industrial	
<b>Adjacent Use West</b>	Vacant land / Industrial	
<b>Zoning</b>	Not Zoned	
<b>Drainage</b>	Assumed Adequate	
<b>Utilities</b>	All available to the site	

<b>Street Improvements</b>	<b>Street</b>	<b>Direction</b>	<b>No. Lanes</b>	<b>Street Type</b>	<b>Curbs</b>	<b>Sidewalks</b>	<b>Streetslights</b>	<b>Center Lane</b>	<b>Gutters</b>
Ardmore Street	Secondary Street	two-way	two-lane	connector street	✓	✓			
Alice Street	Secondary Street	two-way	two-lane	connector street	✓	✓			

**Frontage** The subject has approximately 485 feet of frontage on Ardmore Street. And approximately 570 feet of frontage on Alice Street.

**Accessibility** **Average** - The accessibility of the subject is rated as average. The subject is accessed from two streets, with the main entrance and primary point of ingress/egress being Alice Street. Major transportation arterials within proximity to the subject include Highway 288 and Old Spanish Trail, providing linkage to the surrounding area.

**Exposure** **Fair/Average** - The subject has fair/average exposure, as it is located along a connector street. The project's exposure rating takes into account its below average visibility and its average traffic count. It also considers the subject's exposure from multiple streets.

**Seismic** The subject is in a no risk zone.



**Flood Zone**

The subject site falls within the Zone X (Unshaded) flood zone. This is referenced by Community Number 480296, Panel Number 48201C0860L, dated June 18, 2007. The flood zone is defined as follows:

Zone X (unshaded) is a moderate and minimal risk area. Areas of moderate or minimal hazard are studied based upon the principal source of flood in the area. However, buildings in these zones could be flooded by severe, concentrated rainfall coupled with inadequate local drainage systems. Local stormwater drainage systems are not normally considered in a community's flood insurance study. The failure of a local drainage system can create areas of high flood risk within these zones. Flood insurance is available in participating communities, but is not required by regulation in these zones. Nearly 25-percent of all flood claims filed are for structures located within these zones. Minimal risk areas outside the 1-percent and .2-percent-annual-chance floodplains. No BFEs or base flood depths are shown within these zones. (Zone X (unshaded) is used on new and revised maps in place of Zone C.)

**Easements**

A preliminary title report was not available for review. During the on-site inspection, no adverse easements or encumbrances were noted. This appraisal assumes that there is no negative value impact on the subject improvements. If questions arise regarding easements, encroachments, or other encumbrances, further research is advised.

**Soils**

A detailed soils analysis was not available for review. Based on the development of the subject, it appears the soils are stable and suitable for the existing improvements.

**Hazardous Waste**

We have not conducted an independent investigation to determine the presence or absence of toxins on the subject property. If questions arise, the reader is strongly cautioned to seek qualified professional assistance in this matter. Please see the Assumptions and Limiting Conditions for a full disclaimer. Even though we did not receive a draft environmental report, we walked around the subject site, including the rear of the buildings, the parking structure, the pool area and did not observe any obvious indicators of environmental contamination or adverse property condition issues.

**Conclusion**

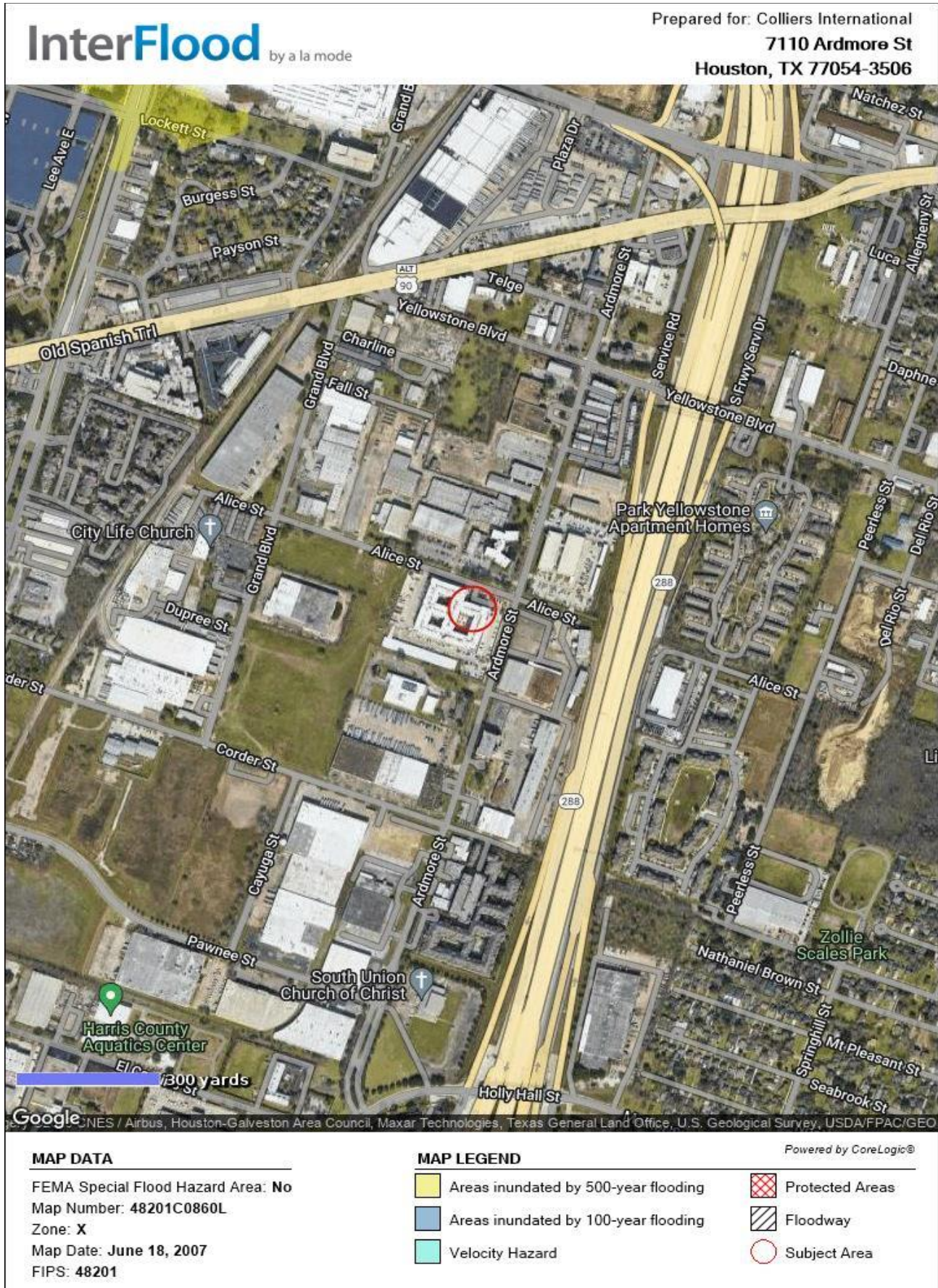
Overall, the subject's location is rated as fair/average. This location rating considers the subject's general market area (Houston ), its submarket (West University / Medical Center / River Oaks) and the surrounding uses and immediate neighborhood. It also takes into account the subject's exposure and access to employment centers, educational facilities, and shopping centers. All of these characteristics provide supporting uses for the subject site making it desirable for multifamily development. Overall, there are no known factors that would limit the site's development according to its highest and best use.

## PLAT MAP





## FLOOD MAP



**Introduction**

The information presented below is a basic description of the existing improvements. This information is used in the valuation of the property. Reliance has been placed upon information provided by sources deemed dependable for this analysis. It is assumed that there are no hidden defects, and that all structural components are functional and operational, unless otherwise noted. If questions arise regarding the integrity of the improvements or their operational components, it may be necessary to consult additional professional resources.

<b>Property Type</b>	Multifamily - Mid/High-Rise Housing
<b>Number of Units</b>	326
<b>Average Unit Size</b>	765 SF
<b>Apartment Buildings</b>	1
<b>Common Area Buildings</b>	1
<b>Total Number of Buildings</b>	2
<b>Number of Stories</b>	4
<b>Development Density</b>	51.0 Units/Acre (326 Units / 6.39 Acres)
<b>Net Rentable Area (NRA)</b>	249,335 SF
<b>Gross Building Area (GBA)</b>	308,158 SF
<b>Parking Total</b>	587 (Surface & Garage)
Parking Comment	We requested but were not provided with the subject's parking count. Therefore, we have assumed 1.8 spaces per unit based on typical class A parking ratios.
Parking Spaces/Unit	1.8
<b>Year Built</b>	2022
<b>Age/Life Analysis</b>	
Actual Age	1 Year
Effective Age	1 Year
Economic Life	55 Years
Remaining Life	54 Years
<b>Quality</b>	Average/Good
<b>Condition</b>	Average/Good
<b>Marketability</b>	Fair/Average



UNIT MIX				
UNIT TYPES	NO. UNITS	% OF TOTAL	UNIT SIZE (SF)	NRA (SF)
STUDIO / 1 BA	17	5.2%	509	8,653
STUDIO / 1 BA	50	15.3%	537	26,850
1 BD / 1 BA	3	0.9%	555	1,665
1 BD / 1 BA	5	1.5%	594	2,970
1 BD / 1 BA	53	16.3%	627	33,231
1 BD / 1 BA	18	5.5%	669	12,042
1 BD / 1 BA	66	20.2%	687	45,342
1 BD / 1 BA	8	2.5%	804	6,432
1 BD / 1 BA	30	9.2%	828	24,840
2 BD / 2 BA	7	2.1%	1,042	7,294
2 BD / 2 BA	4	1.2%	1,129	4,516
2 BD / 2 BA	51	15.6%	1,154	58,854
2 BD / 2 BA	14	4.3%	1,189	16,646
<b>TOTAL/AVERAGE</b>	<b>326</b>	<b>100%</b>	<b>765</b>	<b>249,335</b>
<b>TOTAL NET RENTABLE AREA (NRA)</b>				<b>249,335</b>
Clubhouse				8,956
Excess Building Area (Estimated)				49,867
<b>TOTAL GROSS BUILDING AREA (GBA)</b>				<b>308,158</b>

<b>Basic Construction</b>	Wood frame
<b>Foundation</b>	Reinforced concrete slab
<b>Framing</b>	Wood frame
<b>Exterior Walls</b>	Stucco
<b>Roof Type</b>	Flat
<b>Roof Cover</b>	Sealed membrane
<b>Insulation</b>	Exact type unknown, assumed adequate (R-type) and to code for both walls and ceilings.
<b>Plumbing</b>	Each bathroom includes a toilet, sink, and a shower/tub kit with wall-mounted showerhead. Kitchens include a sink, dishwasher, and garbage disposal. There is a laundry closet with washer/dryer units.
<b>Air Conditioning</b>	Central HVAC
<b>Heating</b>	Central HVAC
<b>Hot Water</b>	Each unit includes a hot water heater.
<b>Lighting</b>	Each unit has LED lighting.
<b>Electrical</b>	Each unit is separately metered
<b>Interior Walls</b>	Painted and medium textured finish on gypsum board.
<b>Ceilings</b>	Painted and medium textured finish on gypsum board.
<b>Windows</b>	Windows are double pane vinyl sliders with horizontal mini-blinds.
<b>Doors</b>	Exterior doors are typically metal with peepholes. Interior doors are hollow, painted wood.

<b>Flooring</b>	Floor coverings for the kitchen areas are vinyl. The floor coverings vinyl, ceramic tile in the bath areas and carpet in the bedrooms.
<b>Elevators</b>	The building contains 3 passenger elevators.
<b>Project Amenities</b>	The subject's common amenities include: bbq/picnic area, business center, clubhouse, common area wi-fi, courtyard, electronic gate, elevators, fitness center, game room, on-site manager, security alarm/patrol, swimming pool.
<b>Unit Amenities</b>	Each unit features: air conditioning, alarm system, balcony/patio, ceiling fans, complete appliance package, garbage disposal, microwave, parking garage, premium appliances, premium countertops, premium flooring, vaulted ceilings, walk-in closets, washer/dryer hookups, washer/dryer in-unit.
<b>Appliances</b>	Each unit is equipped with an electric oven/range combination, garbage disposal, dishwasher, microwave, and refrigerator/freezer. The age and condition of appliances are generally like new.
<b>Laundry</b>	In-unit full washer/dryers.
<b>Countertops</b>	The subject's units include granite countertops.
<b>Cabinets</b>	Typical wood cabinetry
<b>Security</b>	Security patrol is provided at the subject. In addition, each unit has a natural gas detector, fire/smoke detector, and dead bolt.
<b>Fire Protection</b>	The subject has a fire sprinkler system and smoke alarms.
<b>Landscaping</b>	The subject has a typical amount of landscaping. There are mature plantings surrounding the property. Plantings throughout the property include trees, flowers, mowed lawn, shrubs and hedges. There is a sprinkler system.
<b>Deferred Maintenance</b>	Deferred maintenance is measured as the cost of repairing or restoring the item to new or reasonably new condition. Based on our interview with the property manager and the onsite inspection by the field appraiser, no observable deferred maintenance exists.
<b>Hazardous Materials</b>	<p>This appraisal assumes that the improvements are constructed free of all hazardous waste and toxic materials, including (but not limited to) asbestos. Please refer to the Assumptions and Limiting Conditions section regarding this issue.</p> <p>We were provided with a copy of the Property Conditions Assessment and Phase I Environmental report. Based on our review of these reports, we opine that the findings contained therein have no impact on the concluded value in this analysis.</p>
<b>ADA Compliance</b>	This analysis assumes that the subject complies with all ADA requirements. Please refer to the Assumptions and Limiting Conditions section regarding this issue.
<b>Conclusion</b>	The subject improvements are in average/good condition for their age and for the surrounding neighborhood. The interiors have Class A standard finish, comparable to most other properties in the immediate area. The roofs are reportedly in good condition with no roof leaks reported.

## INTRODUCTION

Assessment of real property is established by an assessor that is an appointed or elected official charged with determining the value of each property. The assessment is used to determine the necessary rate of taxation required to support the municipal budget. A property tax is a levy on the value of property that the owner is required to pay to the municipality in which it is situated. Multiple jurisdictions may tax the same property.

The subject property is located within Harris County. The assessed value and property tax for the current year are summarized in the following table.

ASSESSMENT & TAXES						
Tax Year	2023			Tax Rate	2.1298%	
Tax Rate Area	Harris County			Taxes Current	Yes	
APN	LAND	IMPV	TOTAL	EXEMPTIONS	TAXABLE	BASE TAX
1500190010002	\$6,958,700	\$45,842,100	\$52,800,800	\$0	\$52,800,800	\$1,124,557
<b>Totals</b>	<b>\$6,958,700</b>	<b>\$45,842,100</b>	<b>\$52,800,800</b>	<b>\$0</b>	<b>\$52,800,800</b>	<b>\$1,124,557</b>
<b>Total/Unit</b>	<b>\$21,346</b>	<b>\$140,620</b>	<b>\$161,966</b>	<b>\$0</b>	<b>\$161,966</b>	<b>\$3,450</b>
<b>Total/SF (NRA)</b>	<b>\$27.91</b>	<b>\$183.86</b>	<b>\$211.77</b>	<b>\$0.00</b>	<b>\$211.77</b>	<b>\$4.51</b>
<b>Total Base Tax</b>						<b>\$1,124,557</b>
<b>Total Base Tax Per Unit</b>						<b>\$3,450</b>
<b>Total Base Tax Per SF (NRA)</b>						<b>\$4.51</b>

Source: Harris County Assessment & Taxation

## SUBJECT PROPERTY ANALYSIS

The total taxable value for the subject property is \$52,800,800 or \$161,966/Unit. There are no exemptions in place. Total taxes for the property are \$1,124,557 or \$3,450/Unit. We note that the subject current assessment represents it prior to stabilized occupancy.

As implicit in the definition of Market Value is the consummation of a sale, even in the event of a refinance, the potential real estate tax implication following a sale must be considered through a projected increase in assessment level, adjusted capitalization rate, or a blended approach with both factors being adjusted more moderately. As a result, projecting future real estate assessment/tax levels can be somewhat subjective. The primary factors are:

1. Variability in how counties are handling re-assessment following a sale
2. Local county's history of increasing values after a transaction
3. Subject's value relative to similar properties

In Texas, the amount of tax is determined by the product of the tax rate and the assessed valuation of the property. The tax rate is set each year by the governing bodies of local taxing entities such as county commissioners, school boards, cities and special districts, usually in October. It is important to note that the appraisal district does not set local budgets or tax rates. The combined tax rate includes multiple individual charges for flood, schools, hospitals, utilities, and general city and county levies.

The assessed valuation of each piece of property is set by the county assessor according to state statutory guidelines. By law, appraisal districts in Texas are required to appraise property at market value, or what the property would sell for, as of January 1 of that year. Additionally, the Texas Constitution requires that taxation of properties must be "equal and uniform." Therefore, the assessment for a property must be similar to comparable properties in the area. Finally, the State of Texas is a non-disclosure state, meaning that the sales price of a property does not have to be revealed to the public. Therefore, property taxes are not automatically increased



to the sales price of the property. However, in instances where the purchase price of a property is known, it has been observed that a property is likely to experience an increase in its assessment the year following a purchase.

## TAX COMPARABLES

To determine if the assessment and taxes on the subject property are reasonable, we considered historical information, as well as information from similar properties in the market. They are illustrated in the table below.

TAX COMPARABLES										
	SUBJECT	COMP 1	COMP 2	COMP 3	COMP 4	COMP 5	COMP 6	LOW	HIGH	AVG
Property Name	Virtuo Med Center Apartments	Revl Med Center	SYNC Med Center	District 28	5755 Hermann Park	Adenine Apartments	Aspire at 610	-	-	-
Address	7110 Ardmore Street	7892 Knight Road	2950 Old Spanish Trail	2828 Old Spanish Trail	5755 Hermann Park	1755 Wyndale Street	8900 Lakes at 610 Drive	-	-	-
City, State	Houston, TX	Houston, TX	Houston, TX	Houston, TX	Houston, TX	Houston, TX	Houston, TX	-	-	-
APN	1500190010002	1182710010001	1286870010002	1286870010001	1343950010001	1347520010001	1155170000020	-	-	-
Year Built	2022	2022	2008	2016	2016	2015	2018	2008	2022	2016
Units	326	281	304	299	193	265	280			
NRA	249,335	205,020	278,520	232,127	160,747	224,566	259,225	160,747	278,520	226,701
Assessment Period	2023	2023	2023	2023	2023	2023	2023			
Taxable \$	\$52,800,800	\$61,523,596	\$53,907,585	\$58,483,877	\$38,666,756	\$50,695,332	\$58,896,081	\$38,666,756	\$61,523,596	\$53,695,538
Taxable \$/Unit	\$161,966	\$218,945	\$177,328	\$195,598	\$200,346	\$191,303	\$210,343	\$177,328	\$218,945	\$198,977
Taxable \$/SF	\$211.77	\$300.09	\$193.55	\$251.95	\$240.54	\$225.75	\$227.20	\$193.55	\$300.09	\$239.85
Total Taxes	\$1,124,557	\$1,310,336	\$1,148,130	\$1,245,596	\$823,529	\$1,079,715	\$1,254,375	\$823,529	\$1,310,336	\$1,143,613
Taxes Per Unit	\$3,450	\$4,663	\$3,777	\$4,166	\$4,267	\$4,074	\$4,480	\$3,777	\$4,663	\$4,238
Taxes Per SF	\$4.51	\$6.39	\$4.12	\$5.37	\$5.12	\$4.81	\$4.84	\$4.12	\$6.39	\$5.11

The comparable properties reflect assessments ranging from \$177,328/Unit to \$218,945/Unit with an average of \$198,977/Unit. The assessment for the subject property below this range on a per unit basis but within the lower end of the range on a per square foot basis. We note that all of the tax assessments represent opinions of market value as of January 1, 2023. The property was not stabilized in January 2023 so its assessment should be on the low end of the range of competing properties which are all stabilized. As discussed later in the appraisal, market conditions of decline since that time due to rising interest rates.

The following table shows the assessments of new construction class A multifamily properties in the Houston Urban Core within Harris County relative to their purchase price the previous year.

HARRIS COUNTY ASSESSMENT TRENDS - URBAN CORE NEW CONSTRUCTION							
	1	2	3	4	5	6	7
SALE DATE	Aug-22	Aug-22	Jun-22	Apr-22	Dec-21	Dec-21	Sep-21
PROPERTY NAME	Chelsea Museum Direct	Broadstone Memorial Park	Prose at Memorial	Flats at West Alabama	Broadstone Saw yer Yards	Elan Heights	Alexan Lower Heights
TYPE	Midrise	Midrise	Low rise	Midrise	Midrise	Garden	Garden
YEAR BUILT	2021	2021	2021	2021	2020	2016	2020
SALES PRICE	\$118,000,000	\$95,000,000	\$88,500,000	\$95,000,000	\$86,200,000	\$93,500,000	\$110,000,000
ASSESSED VALUE AT SALE	\$75,130,073	\$61,756,823	\$44,904,930	\$66,929,286	\$47,852,380	\$77,548,595	\$55,350,000
ASSESSED VALUE FOLLOWING SALE	\$96,375,458	\$83,233,649	\$64,530,596	\$67,000,000	\$68,550,500	\$70,000,000	\$108,540,278
Δ ASSESSMENT AFTER SALE (%)	28.3%	34.8%	43.7%	0.1%	43.3%	-9.7%	96.1%
RE-ASSESSMENT VALUE AS % SALE PRICE	81.7%	87.6%	72.9%	70.5%	79.5%	74.9%	98.7%
LOW	70.5%						
HIGH	98.7%						
MEDIAN	79.5%						
MEAN	80.8%						

Properties in Harris County are typically assessed for less than 100% of sales price the year following sale. Based on the above comparables, comparable properties in Harris County are typically reassessed upon sale to between 75% and 90% of the purchase price which typically reflects a significant increase from the previous years assessed.

CONCLUSION

The subject’s current tax assessment is 108.9%of our concluded stabilized market value. Under Texas law properties are to be assessed at 100% of market value. However, as indicated by the comparables above, properties are typically assessed for less than 100% of market value in practice. Therefore, the subject would have a high likelihood of appealing its tax assessment to at least 100% of its sales price if the price was provided to the County Tax Assessor. Therefore, we have projected taxes based on 100% of our concluded as if stabilized market value. The risk of future assessment increases has been accounted for in our concluded cap rate.

ESTIMATED STABILIZED TAXES	
= Estimated Assessed Value	\$48,500,000
Estimated Assessed Value (Per Unit)	\$148,773
Percent of Concluded Market Value	100.0%
x Current Millage Rate	2.13%
= Stabilized Taxes Estimate (rounded)	\$1,033,000
Stabilized Taxes/Unit	\$3,169
Stabilized Taxes/SF of NRA	\$4.14

## INTRODUCTION

Zoning requirements typically establish permitted and prohibited uses, building height, lot coverage, setbacks, parking and other factors that control the size and location of improvements on a site. The zoning characteristics for the subject property are summarized below:

ZONING SUMMARY	
<b>Municipality Governing Zoning</b>	No Zoning Jurisdiction
<b>Current Zoning</b>	No Zoning Jurisdiction
<b>Permitted Uses</b>	All permitted uses under environmental, state and federal regulations.
<b>Current Use</b>	Multi-Family Apartments
<b>Is Current Use Legally Permitted?</b>	Yes
<b>Zoning Change</b>	Not Likely

## ZONING CONCLUSIONS

The subject is currently outside of surrounding zoning jurisdictions. The improvements could be re-built to existing design and density if over 51% of the improvements were damaged or destroyed.

Detailed zoning studies are typically performed by a zoning or land use expert, including attorneys, land use planners, or architects. The depth of our analysis correlates directly with the scope of this assignment, and it considers all pertinent issues that have been discovered through our due diligence. Please note that this appraisal is not intended to be a detailed determination of compliance, as that determination is beyond the scope of this real estate appraisal assignment.



## INTRODUCTION

The market analysis section provides a comprehensive study of supply/demand conditions, examines transaction trends, and interprets ground level information conveyed by market participants. Based on these findings and an analysis of the subject property, conclusions are drawn with regard to the subject's competitive position within the marketplace. Below is a list of the various sections covered in the following apartment market analysis:

- › Houston-The Woodlands-Sugar Land Apartment Market
- › West University/Medical Center/Third Ward Apartment Submarket
- › Competitive Dataset Analysis
- › Broker / Market Participant Interviews
- › Transaction Trends
- › Subject Property Analysis

## HOUSTON-THE WOODLANDS-SUGAR LAND METRO APARTMENT MARKET ANALYSIS

The following is an analysis of supply/demand trends in the Houston-The Woodlands-Sugar Land Apartment Market using information provided by MPF Research, widely recognized as a market leader in Apartment data and statistics. Through their coverage of the MPF-100, a collection of the 100 largest primary and secondary markets in the US, data is primarily sourced at the floor-plan, transaction level. This is made possible through MPF's sister company relationship with RealPage, the developers of YieldStar and OneSite revenue and property management software suites, resulting in access to individual lease transactions for roughly 3.7 million units.

We will first analyze the metro market, followed by the submarket. The following map highlights MPF's coverage of the Houston-The Woodlands-Sugar Land Metro Market and the individual submarkets tracked. The subject is located within the West University/Medical Center/Third Ward submarket denoted as (5) below.



### Current Market Snapshot

The table below presents a current quarter snapshot of key indicators for the Houston-The Woodlands-Sugar Land Metro Market.

HOUSTON-THE WOODLANDS-SUGAR LAND MARKET AT A GLANCE									2023 Q3
	TOTAL UNITS	OCCUP- ANCY (%)	ABSORP. (UNITS)	NEW INV. (UNITS)	REMOVALS (UNITS)	INVENTORY UNITS Δ	INVENTORY % Δ	UNDER CONST.	NEAR-TERM DELIVERIES <sup>1</sup>
<b>INVENTORY</b>	753,816	93.0%	6,276	6,351	0	6,351	0.8%	33,651	24,872
	BY VINTAGE					BY STYLE			
CATEGORY	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	TOTAL
Occupancy	93.3%	93.2%	92.5%	92.8%	92.1%	92.9%	93.4%	92.9%	93.0%
Quarterly Occ. Δ	0.1%	-0.1%	-0.2%	-0.1%	1.0%	0.0%	0.3%	0.3%	0.1%
Annual Occ. Δ	-0.6%	-0.8%	-1.0%	-0.7%	-1.5%	-0.9%	-0.2%	0.5%	-0.8%
Rent (\$/mo.)	\$1,660	\$1,395	\$1,056	\$1,001	\$1,105	\$1,235	\$1,708	\$2,496	\$1,367
Rent (\$/sf)	\$1.71	\$1.52	\$1.32	\$1.21	\$1.29	\$1.39	\$1.84	\$2.37	\$1.52
Annual Revenue Δ <sup>2</sup>	-0.9%	-1.0%	1.4%	2.1%	0.4%	-0.1%	-0.4%	1.6%	-0.1%
% Offering Concessions	21.8%	22.8%	31.1%	27.6%	24.6%	25.4%	21.4%	26.8%	24.9%
Avg. Concession	4.4%	2.5%	2.5%	3.0%	3.5%	2.9%	4.6%	7.1%	3.6%
Qtr. Same-Property Rent Δ	0.0%	-0.2%	0.2%	0.8%	0.9%	0.3%	-0.2%	-0.2%	0.2%
Ann. Same-Property Rent Δ	-0.3%	-0.2%	2.4%	2.8%	1.9%	0.8%	-0.2%	1.0%	0.6%

Source: MPF Research© <sup>1</sup> Delivering within next four quarters. <sup>2</sup> Annual Revenue Change = Annual Occ. Change + Annual Rent Change

## Occupancy

As presented, the Houston-The Woodlands-Sugar Land market maintains a current inventory of 753,816 units, up approximately 0.80% (6,351 units) from the previous quarter. The current market-wide occupancy rate of 93.0% is indicated through a range extending from 92.1% to 93.4% across all property styles and vintages. When compared to the previous quarter, the market-wide average occupancy rate has increased 0.1%. On a current-quarter annualized basis, occupancy rates have decreased 0.8%.

## Rental Rates / Revenue

On a per unit basis, rental rates by vintage range from a low of \$1,001 per month to a high of \$1,660 per month. When analyzed on the basis of style, rental rates range from \$1,235 (low-rise) to \$2,496 (high-rise). In total, the market-wide inventory-weighted average rental rate is \$1,367 per unit per month. On a per square foot basis, rental rates range from a low of \$1.21 to a high of \$1.71 when analyzing property vintage and \$1.39 to \$2.37 when analyzed by property style. In aggregate, the market-wide average rental rate is \$1.52 per square foot. Annual revenue change, defined as annual occupancy change plus annual rent change represents a decrease of -0.1% versus the previous same-quarter annual period.

## Concessions

Analyzed by vintage, the percentage of properties currently offering concessions range from 21.8% (2000+) to 31.1% (1980s). When singularly analyzing property style, this range shifts to a low of 21.4% (mid-rise) to a high of 26.8% (high-rise). An aggregate, market-wide average of 24.9% is indicated.

The average concession given ranges from 2.5% to 4.4% (vintage) and 2.9% to 7.1% (style) of potential gross income. An inventory-weighted average across all vintages and styles of 3.6% of potential gross income is indicated.

## Trailing Metro Performance

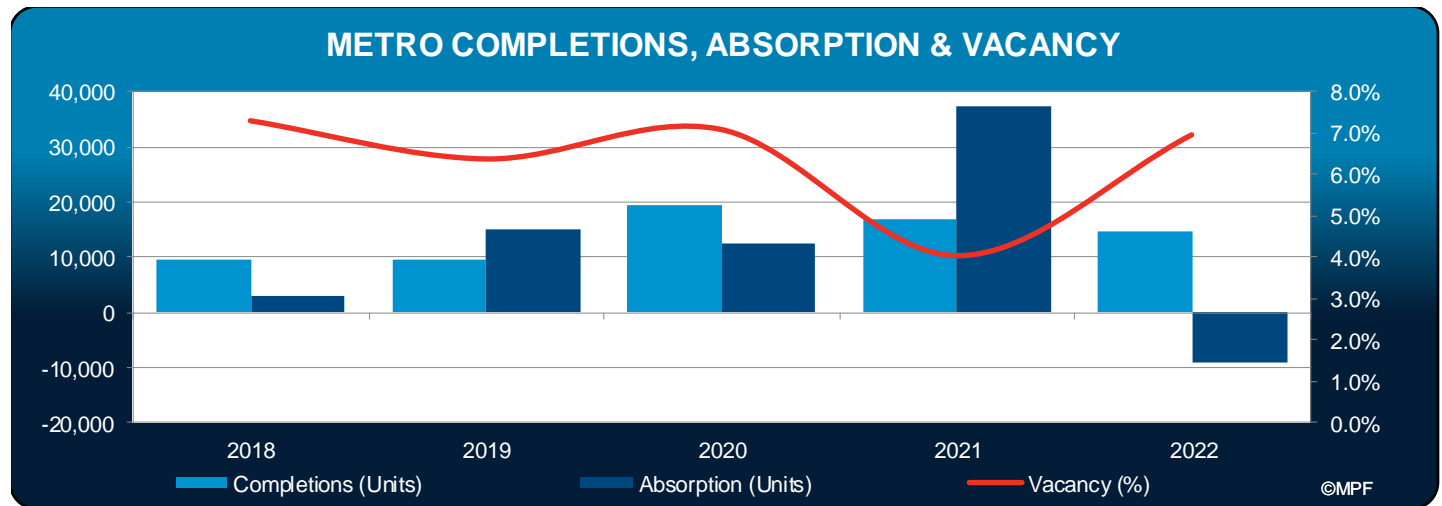
Key supply/demand, occupancy, rental rate, and concession statistics for available trailing annual and quarterly periods are summarized below.

## Historical Supply/Demand

The following table highlights the trailing annual and quarterly supply, construction, and absorption metrics.

HISTORICAL SUPPLY/DEMAND ANALYSIS					HOUSTON-THE WOODLANDS-SUGAR LAND MARKET				
PERIOD	TOTAL UNITS	OCCUPANCY (%)	ABSORP. (UNITS)	NEW INV. (UNITS)	REMOVALS (UNITS)	INVENTORY UNITS $\Delta$	INVENTORY % $\Delta$	UNDER CONST.	NEAR-TERM DELIVERIES <sup>1</sup>
2018	682,595	92.7%	3,094	9,623	727	8,896	1.3%	21,230	9,599
2019	691,797	93.6%	14,902	9,752	550	9,202	1.3%	35,894	18,529
2020	710,628	92.9%	12,572	19,288	457	18,831	2.7%	30,656	16,762
2021	727,007	96.0%	37,307	16,837	458	16,379	2.3%	28,157	14,494
2022	740,121	93.0%	-8,915	14,850	1,736	13,114	1.8%	39,331	21,277
2022 Q4	740,121	93.0%	-3,075	3,127	1,009	2,118	0.3%	39,331	21,277
2023 Q1	742,754	92.8%	852	2,942	309	2,633	0.4%	41,695	25,111
2023 Q2	747,465	92.9%	5,114	4,711	0	4,711	0.6%	38,930	26,009
<b>2023 Q3</b>	<b>753,816</b>	<b>93.0%</b>	<b>6,276</b>	<b>6,351</b>	<b>0</b>	<b>6,351</b>	<b>0.8%</b>	<b>33,651</b>	<b>24,872</b>

Source: MPF Research® <sup>1</sup> Delivering within next four quarters.



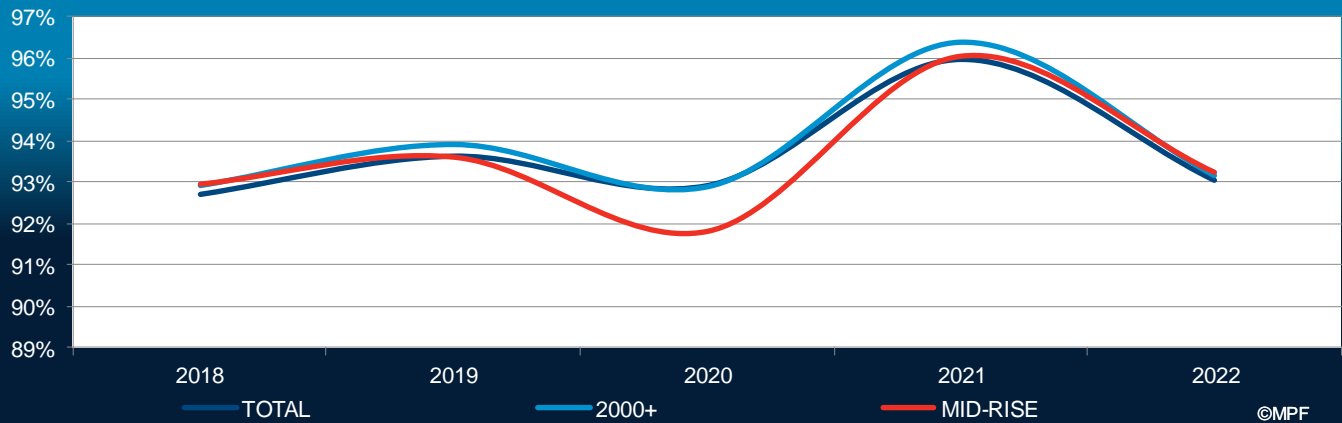
### Metro Occupancy Trends

OCCUPANCY					HOUSTON-THE WOODLANDS-SUGAR LAND METRO				
PERIOD	BY VINTAGE					BY STYLE			TOTAL
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	
2018	92.9%	93.4%	92.7%	92.0%	91.9%	92.7%	93.0%	91.4%	92.7%
2019	93.9%	94.0%	93.6%	92.9%	93.6%	93.6%	93.6%	93.4%	93.6%
2020	92.9%	93.5%	93.7%	92.1%	92.1%	93.2%	91.8%	89.4%	92.9%
2021	96.4%	96.6%	95.9%	95.2%	94.4%	96.0%	96.1%	94.1%	96.0%
2022	93.2%	93.3%	92.8%	93.0%	92.4%	93.1%	93.2%	92.1%	93.0%
2022 Q4	93.2%	93.3%	92.8%	93.0%	92.4%	93.1%	93.2%	92.1%	93.0%
2023 Q1	92.9%	93.0%	92.5%	92.9%	92.0%	92.8%	92.9%	92.6%	92.8%
2023 Q2	93.1%	93.3%	92.7%	92.9%	91.1%	92.9%	93.1%	92.6%	92.9%
<b>2023 Q3</b>	<b>93.3%</b>	<b>93.2%</b>	<b>92.5%</b>	<b>92.8%</b>	<b>92.1%</b>	<b>92.9%</b>	<b>93.4%</b>	<b>92.9%</b>	<b>93.0%</b>

Source: MPF Research®



## HISTORICAL METRO OCCUPANCY



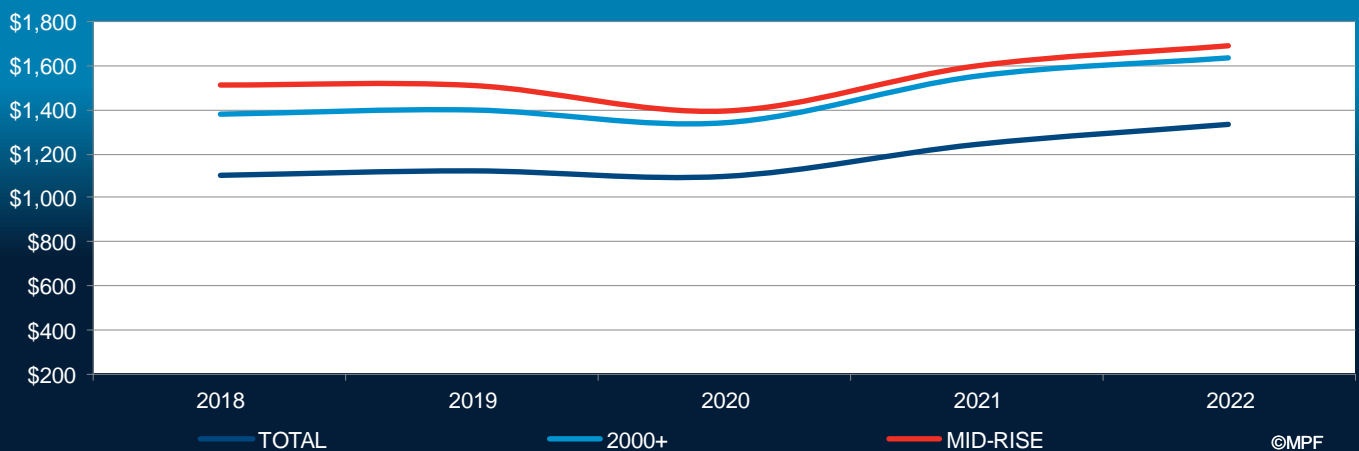
## Metro Rental Rate Trends

The following tables and supporting graphs represent the current and historical rental rates on both a \$/Unit (Table 1) and \$/SF (Table 2) basis. Rental rates are reported as effective rates (net of concessions).

EFFECTIVE RENT (\$/UNIT)						HOUSTON-THE WOODLANDS-SUGAR LAND METRO			
PERIOD	BY VINTAGE					BY STYLE			TOTAL
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	
2018	\$1,382	\$1,176	\$848	\$828	\$929	\$991	\$1,513	\$2,215	\$1,102
2019	\$1,401	\$1,188	\$870	\$847	\$978	\$1,012	\$1,511	\$2,236	\$1,122
2020	\$1,343	\$1,138	\$879	\$849	\$950	\$1,005	\$1,397	\$2,093	\$1,097
2021	\$1,554	\$1,321	\$960	\$909	\$1,019	\$1,132	\$1,598	\$2,321	\$1,242
2022	\$1,637	\$1,382	\$1,030	\$971	\$1,087	\$1,208	\$1,688	\$2,434	\$1,333
2022 Q4	\$1,637	\$1,382	\$1,030	\$971	\$1,087	\$1,208	\$1,688	\$2,434	\$1,333
2023 Q1	\$1,646	\$1,388	\$1,040	\$975	\$1,088	\$1,210	\$1,712	\$2,485	\$1,342
2023 Q2	\$1,656	\$1,402	\$1,053	\$989	\$1,091	\$1,228	\$1,706	\$2,489	\$1,358
<b>2023 Q3</b>	<b>\$1,660</b>	<b>\$1,395</b>	<b>\$1,056</b>	<b>\$1,001</b>	<b>\$1,105</b>	<b>\$1,235</b>	<b>\$1,708</b>	<b>\$2,496</b>	<b>\$1,367</b>

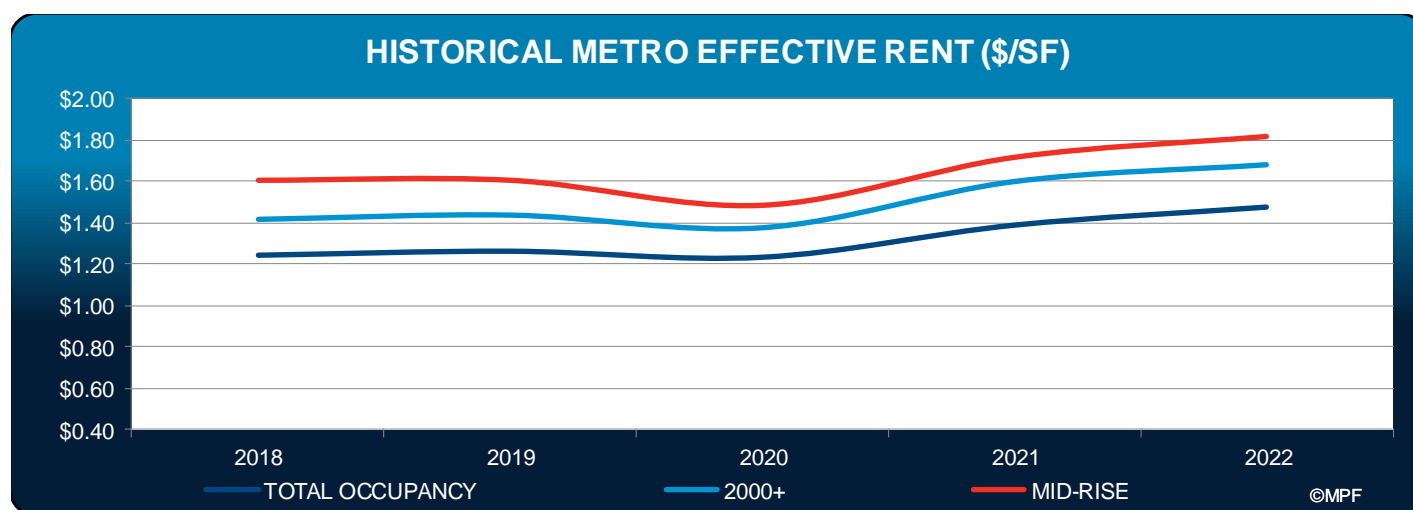
Source: MPF Research®

## HISTORICAL METRO EFFECTIVE RENT (\$/UNIT)



EFFECTIVE RENT (\$/SF)					HOUSTON-THE WOODLANDS-SUGAR LAND METRO				
PERIOD	BY VINTAGE					BY STYLE			TOTAL
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	
2018	\$1.42	\$1.28	\$1.06	\$1.00	\$1.12	\$1.13	\$1.61	\$2.13	\$1.24
2019	\$1.44	\$1.30	\$1.08	\$1.02	\$1.15	\$1.15	\$1.61	\$2.15	\$1.26
2020	\$1.38	\$1.24	\$1.09	\$1.02	\$1.11	\$1.14	\$1.49	\$2.01	\$1.23
2021	\$1.60	\$1.44	\$1.20	\$1.10	\$1.19	\$1.28	\$1.72	\$2.21	\$1.39
2022	\$1.68	\$1.50	\$1.29	\$1.17	\$1.27	\$1.36	\$1.82	\$2.33	\$1.48
2022 Q4	\$1.68	\$1.50	\$1.29	\$1.17	\$1.27	\$1.36	\$1.82	\$2.33	\$1.48
2023 Q1	\$1.69	\$1.51	\$1.30	\$1.18	\$1.28	\$1.37	\$1.84	\$2.36	\$1.49
2023 Q2	\$1.70	\$1.52	\$1.31	\$1.20	\$1.29	\$1.38	\$1.84	\$2.37	\$1.51
<b>2023 Q3</b>	<b>\$1.71</b>	<b>\$1.52</b>	<b>\$1.32</b>	<b>\$1.21</b>	<b>\$1.29</b>	<b>\$1.39</b>	<b>\$1.84</b>	<b>\$2.37</b>	<b>\$1.52</b>

Source: MPF Research®



### Metro Concession Trends

The following tables represent the percentage of properties offering concessions (Table 1) and the concessions granted as a percentage of potential gross income (Table 2).

PERCENT OF PROPERTIES OFFERING CONCESSIONS					HOUSTON-THE WOODLANDS-SUGAR LAND METRO				
PERIOD	BY VINTAGE					BY STYLE			TOTAL
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	
2018	31.0%	28.9%	45.9%	39.3%	42.8%	36.7%	33.1%	38.9%	36.3%
2019	33.2%	34.3%	46.5%	50.4%	49.1%	41.7%	33.9%	41.5%	40.7%
2020	44.9%	38.5%	44.5%	49.9%	44.2%	44.9%	46.4%	46.3%	45.2%
2021	19.1%	17.3%	25.2%	24.2%	35.4%	20.5%	25.5%	40.8%	22.0%
2022	18.4%	17.3%	29.6%	22.5%	19.6%	21.4%	19.3%	26.3%	21.3%
2022 Q4	18.4%	17.3%	29.6%	22.5%	19.6%	21.4%	19.3%	26.3%	21.3%
2023 Q1	20.5%	16.3%	27.7%	19.8%	19.6%	20.6%	22.6%	29.6%	21.3%
2023 Q2	21.0%	17.1%	30.6%	22.7%	25.3%	22.7%	22.8%	27.4%	22.9%
<b>2023 Q3</b>	<b>21.8%</b>	<b>22.8%</b>	<b>31.1%</b>	<b>27.6%</b>	<b>24.6%</b>	<b>25.4%</b>	<b>21.4%</b>	<b>26.8%</b>	<b>24.9%</b>

Source: MPF Research®

CONCESSIONS AS PERCENT OF PGI						HOUSTON-THE WOODLANDS-SUGAR LAND METRO			
PERIOD	BY VINTAGE					BY STYLE			TOTAL
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	
2018	5.5%	3.0%	3.5%	4.1%	3.7%	3.9%	5.6%	7.4%	4.5%
2019	4.9%	3.4%	3.3%	3.9%	3.5%	3.5%	5.2%	8.6%	4.2%
2020	6.2%	4.0%	3.5%	4.3%	4.4%	4.1%	6.8%	10.9%	5.1%
2021	6.0%	2.5%	3.4%	3.4%	3.6%	3.4%	5.0%	9.5%	4.6%
2022	4.4%	2.0%	2.7%	2.4%	5.4%	2.8%	4.1%	7.5%	3.6%
2022 Q4	4.4%	2.0%	2.7%	2.4%	5.4%	2.8%	4.1%	7.5%	3.6%
2023 Q1	4.2%	1.9%	3.2%	3.0%	3.8%	3.1%	3.2%	6.8%	3.7%
2023 Q2	4.6%	2.7%	3.1%	3.3%	3.5%	3.1%	4.3%	8.2%	3.9%
<b>2023 Q3</b>	<b>4.4%</b>	<b>2.5%</b>	<b>2.5%</b>	<b>3.0%</b>	<b>3.5%</b>	<b>2.9%</b>	<b>4.6%</b>	<b>7.1%</b>	<b>3.6%</b>

Source: MPF Research®

### Metro Construction Activity

CONSTRUCTION ACTIVITY SUMMARY		HOUSTON-THE WOODLANDS-SUGAR LAND METRO	
CATEGORY		UNITS UNDER CONSTRUCTION	UNITS COMPLETED <sup>1</sup>
Conventional (Market)		41,428	12,377
<b>TOTAL</b>		<b>41,428</b>	<b>12,377</b>

Source: MPF Research® <sup>1</sup> Properties completed in the last 4 quarters

Within the Houston-The Woodlands-Sugar Land Metro area, there are a total of 41,428 conventional units currently under construction highlighted by activity in the Katy, Rosenberg/Richmond and Spring/Tomball submarkets. There are currently 134 units under construction within the subject's submarket and 0 units have delivered within the past four quarters.

The following table sets forth the detailed construction activity, by submarket, for conventional properties in the market.



CONVENTIONAL CONSTRUCTION DETAIL		HOUSTON-THE WOODLANDS- SUGAR LAND METRO
CATEGORY	UNITS UNDER CONSTRUCTION	UNITS COMPLETED <sup>1</sup>
Downtown/Montrose/River Oaks	2,619	1,387
Greenway/Upper Kirby	511	259
Greater Heights/Washington Avenue	2,067	954
Braeswood Place/Astrodome/South Union	0	281
Westchase	221	330
Spring Branch	2,013	361
North Central Houston	240	105
Hobby Airport	699	600
Gulfton/Westbury	738	317
Far West Houston	0	318
Bear Creek	1,688	361
Katy	4,361	1,061
Cypress/Waller	2,463	934
Champions West	736	239
Spring/Tomball	3,144	288
The Woodlands	1,405	525
Conroe/Montgomery County	2,638	1,161
Humble/Kingwood	1,201	178
Baytown	0	238
Clear Lake	1,346	615
Friendswood/Pearland	111	291
Rosenberg/Richmond	4,025	1,574
West University/Medical Center/Third Ward	134	0
East Inner Loop	1,936	0
Galleria/Uptown	172	0
Memorial	634	0
Northwest Houston	1,538	0
Northeast Houston	656	0
Pasadena/Southeast Houston	448	0
Alief	461	0
Champions East	336	0
Galveston/Texas City	296	0
Brazoria County	1,023	0
Sugar Land/Stafford	1,568	0
<b>TOTAL</b>	<b>41,428</b>	<b>12,377</b>

Source: MPF Research® <sup>1</sup>Properties completed in the last 4 quarters

## WEST UNIVERSITY/MEDICAL CENTER/THIRD WARD APARTMENT SUBMARKET OVERVIEW

The table below presents a current quarter snapshot of the key indicators within the submarket.

WEST UNIVERSITY/MEDICAL CENTER/THIRD WARD SUBMARKET AT A GLANCE									2023 Q3
	TOTAL UNITS	OCCUP- ANCY (%)	ABSORP. (UNITS)	NEW INV. (UNITS)	REMOVALS (UNITS)	INVENTORY Δ (UNITS)	INVENTORY Δ (%)	UNDER CONST.	NEAR-TERM DELIVERIES <sup>1</sup>
INVENTORY	13,646	94.8%	49	0	0	0	0.0%	134	0
CATEGORY	BY VINTAGE					BY STYLE			TOTAL
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	
Occupancy	95.4%	94.6%	89.0%	92.8%	81.0%	94.6%	95.4%	94.1%	94.8%
Quarterly Occ. Δ	0.4%	1.2%	-3.8%	-2.7%	0.0%	0.2%	0.2%	0.7%	0.4%
Annual Occ. Δ	0.7%	0.5%	2.5%	-0.9%	-11.6%	0.2%	0.6%	0.6%	0.5%
Rent (\$/mo.)	\$2,199	\$1,716	\$1,195	\$962	\$861	\$1,518	\$1,906	\$2,680	\$2,031
Rent (\$/sf)	\$2.23	\$1.77	\$1.82	\$1.29	\$1.31	\$1.72	\$2.03	\$2.48	\$2.10
Annual Revenue Δ <sup>2</sup>	3.4%	2.2%	-5.2%	3.2%	-11.6%	1.3%	4.0%	2.7%	2.9%
% Offering Concessions	10.1%	32.6%	75.0%	0.0%	0.0%	20.4%	12.7%	15.3%	15.6%
Avg. Concession	5.1%	2.7%	2.7%	n.a.	n.a.	3.2%	4.2%	4.7%	4.2%
Qtr. Same-Property Rent Δ	0.1%	2.8%	-7.0%	6.4%	-0.2%	1.5%	1.3%	-0.8%	0.5%
Ann. Same-Property Rent Δ	2.7%	1.8%	-7.7%	4.1%	0.0%	1.0%	3.3%	2.1%	2.4%

Source: MPF Research® <sup>1</sup> Delivering within next four quarters. <sup>2</sup> Annual Revenue Change = Annual Occ. Change + Annual Rent Change

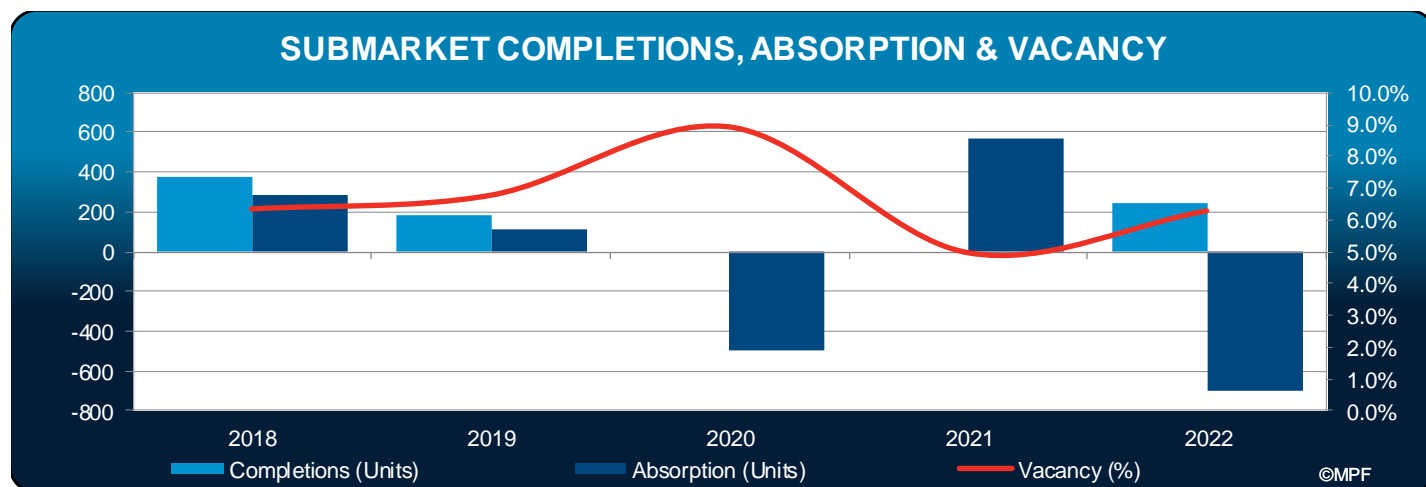
## Trailing Submarket Performance

Key supply/demand, occupancy, rental rate, and concession statistics for available trailing annual and quarterly periods are summarized below.

## Historical Supply/Demand

HISTORICAL SUPPLY/DEMAND ANALYSIS WEST UNIVERSITY/MEDICAL CENTER/THIRD WARD SUBMARKET									
PERIOD	TOTAL UNITS	OCCUP- ANCY (%)	ABSORP. (UNITS)	NEW INV. (UNITS)	REMOVALS (UNITS)	INVENTORY UNITS Δ	INVENTORY % Δ	UNDER CONST.	NEAR-TERM DELIVERIES <sup>1</sup>
2018	14,216	93.7%	289	375	0	375	2.7%	186	186
2019	14,402	93.2%	112	186	0	186	1.3%	248	0
2020	14,193	91.1%	-502	0	209	-209	-1.5%	248	0
2021	14,193	95.0%	564	0	0	0	0.0%	248	248
2022	13,646	93.7%	-700	248	795	-547	-3.9%	0	0
2022 Q4	13,646	93.7%	-434	0	375	-375	-2.7%	0	0
2023 Q1	13,646	94.1%	55	0	0	0	0.0%	0	0
2023 Q2	13,646	94.4%	44	0	0	0	0.0%	134	0
2023 Q3	13,646	94.8%	49	0	0	0	0.0%	134	0

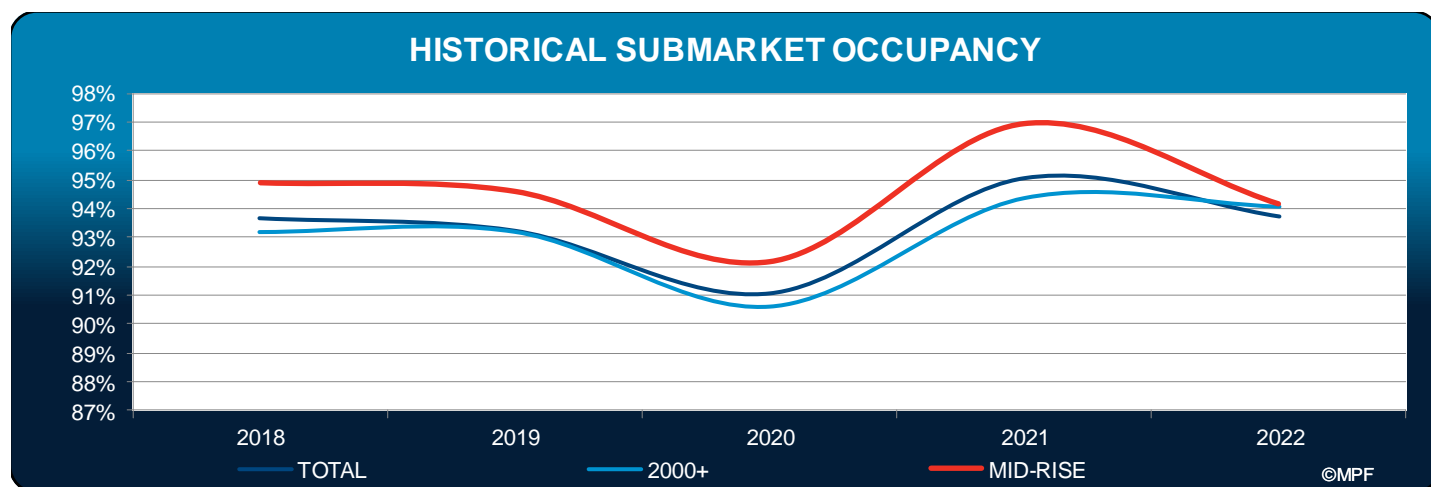
Source: MPF Research® <sup>1</sup> Delivering within next four quarters



## Submarket Occupancy Trends

OCCUPANCY ANALYSIS WEST UNIVERSITY/MEDICAL CENTER/THIRD WARD SUBMARKET											
PERIOD	BY VINTAGE					BY STYLE			SUBMARKET TOTAL	METRO TOTAL	VERSUS METRO
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE			
2018	93.2%	94.4%	n.a.	98.4%	97.6%	94.0%	94.9%	89.7%	93.7%	92.7%	●
2019	93.2%	92.8%	92.0%	95.8%	94.8%	92.8%	94.6%	91.1%	93.2%	93.6%	●
2020	90.6%	92.1%	96.0%	96.4%	86.7%	93.5%	92.2%	87.3%	91.1%	92.9%	●
2021	94.4%	97.5%	96.5%	96.4%	95.6%	94.6%	96.9%	93.2%	95.0%	96.0%	●
2022	94.1%	93.4%	85.0%	96.0%	85.7%	93.3%	94.2%	93.5%	93.7%	93.0%	●
2022 Q4	94.1%	93.4%	85.0%	96.0%	85.7%	93.3%	94.2%	93.5%	93.7%	93.0%	●
2023 Q1	94.5%	93.4%	91.0%	96.0%	83.8%	94.2%	94.9%	92.9%	94.1%	92.8%	●
2023 Q2	95.0%	93.4%	93.0%	95.5%	81.0%	94.4%	95.3%	93.4%	94.4%	92.9%	●
2023 Q3	95.4%	94.6%	89.0%	92.8%	81.0%	94.6%	95.4%	94.1%	94.8%	93.0%	●

Source: MPF Research® Legend: ● Outperforming ● Underperforming ● Similar



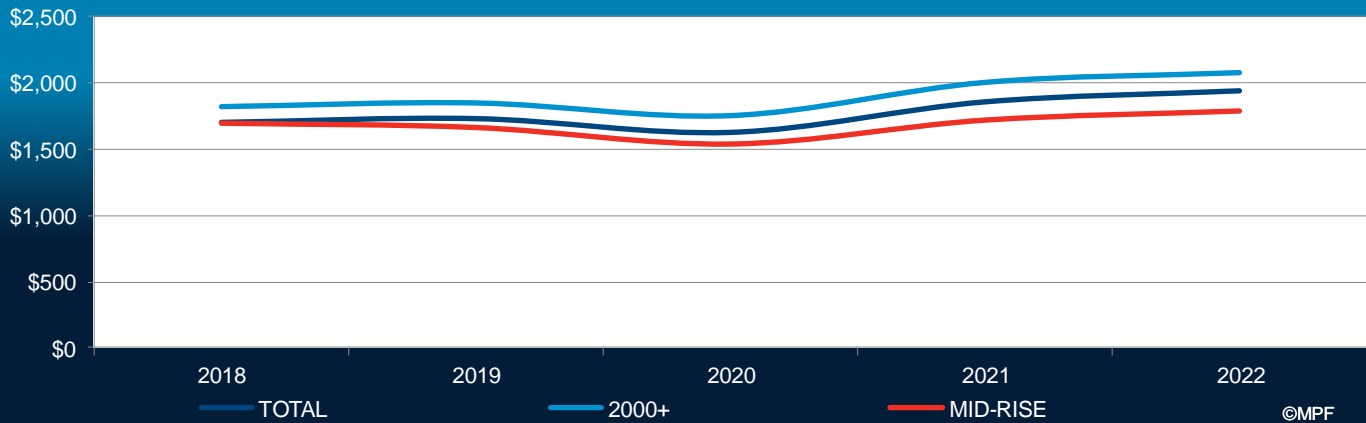
## Submarket Rental Rate Trends

The following tables represent the current and historical submarket rental rates on both a \$/Unit (Table 1) and \$/SF (Table 2) basis. Rental rates are reported as effective rates (net of concessions).

EFFECTIVE RENT (\$/UNIT) WEST UNIVERSITY/MEDICAL CENTER/THIRD WARD SUBMARKET											
PERIOD	BY VINTAGE					BY STYLE			SUBMARKET TOTAL	METRO TOTAL	VERSUS METRO
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE			
2018	\$1,827	\$1,446	n.a.	\$753	\$736	\$1,368	\$1,697	\$2,261	\$1,703	\$1,102	●
2019	\$1,855	\$1,489	\$1,159	\$773	\$821	\$1,348	\$1,663	\$2,288	\$1,732	\$1,122	●
2020	\$1,759	\$1,277	\$941	\$791	\$790	\$1,209	\$1,533	\$2,129	\$1,626	\$1,097	●
2021	\$2,011	\$1,549	\$1,295	\$783	\$855	\$1,424	\$1,721	\$2,396	\$1,861	\$1,242	●
2022	\$2,085	\$1,655	\$1,248	\$907	\$836	\$1,467	\$1,793	\$2,647	\$1,946	\$1,333	●
2022 Q4	\$2,085	\$1,655	\$1,248	\$907	\$836	\$1,467	\$1,793	\$2,647	\$1,946	\$1,333	●
2023 Q1	\$2,133	\$1,705	\$1,268	\$889	\$866	\$1,492	\$1,812	\$2,667	\$1,980	\$1,342	●
2023 Q2	\$2,196	\$1,670	\$1,284	\$904	\$863	\$1,496	\$1,883	\$2,701	\$2,021	\$1,358	●
2023 Q3	\$2,199	\$1,716	\$1,195	\$962	\$861	\$1,518	\$1,906	\$2,680	\$2,031	\$1,367	●

Source: MPF Research® Legend: ● Outperforming ● Underperforming ● Similar

## HISTORICAL SUBMARKET EFFECTIVE RENT (\$/UNIT)



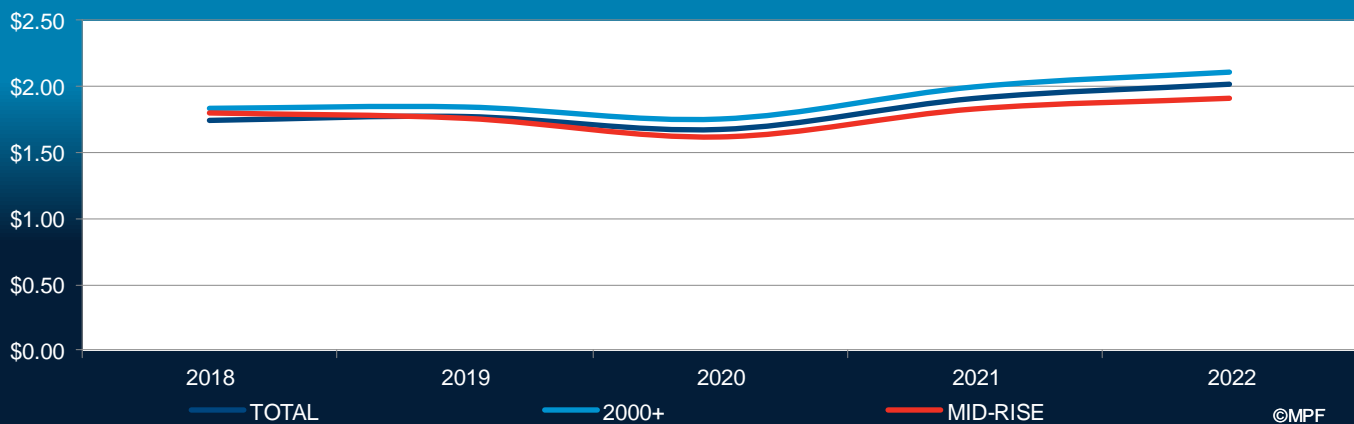
## EFFECTIVE RENT (\$/SF)

## WEST UNIVERSITY/MEDICAL CENTER/THIRD WARD SUBMARKET

PERIOD	BY VINTAGE					BY STYLE			SUBMARKET TOTAL	METRO TOTAL	VERSUS METRO
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE			
2018	\$1.84	\$1.50	n.a.	\$1.01	\$1.11	\$1.48	\$1.80	\$1.95	\$1.74	\$1.24	●
2019	\$1.85	\$1.51	\$1.77	\$1.04	\$1.22	\$1.50	\$1.76	\$2.02	\$1.77	\$1.26	●
2020	\$1.76	\$1.29	\$1.44	\$1.06	\$1.17	\$1.34	\$1.62	\$1.95	\$1.67	\$1.23	●
2021	\$2.00	\$1.63	\$1.98	\$1.05	\$1.27	\$1.62	\$1.83	\$2.20	\$1.91	\$1.39	●
2022	\$2.11	\$1.74	\$1.91	\$1.21	\$1.26	\$1.67	\$1.91	\$2.43	\$2.02	\$1.48	●
2022 Q4	\$2.11	\$1.74	\$1.91	\$1.21	\$1.26	\$1.67	\$1.91	\$2.43	\$2.02	\$1.48	●
2023 Q1	\$2.16	\$1.76	\$1.94	\$1.19	\$1.31	\$1.69	\$1.93	\$2.47	\$2.05	\$1.49	●
2023 Q2	\$2.22	\$1.72	\$1.96	\$1.21	\$1.31	\$1.69	\$2.01	\$2.50	\$2.09	\$1.51	●
2023 Q3	\$2.23	\$1.77	\$1.82	\$1.29	\$1.31	\$1.72	\$2.03	\$2.48	\$2.10	\$1.52	●

Source: MPF Research® Legend: ● Outperforming ● Underperforming ● Similar

## HISTORICAL SUBMARKET EFFECTIVE RENT (\$/SF)



## Submarket Concession Trends

The following tables represent the percentage of properties offering concessions (Table 1) and the concessions granted as a percentage of potential gross income (Table 2).



### PERCENT OF PROPERTIES OFFERING CONCESSIONS UNIVERSITY/MEDICAL CENTER/THIRD WARD SUBMARKET

PERIOD	BY VINTAGE					BY STYLE			SUBMARKET	METRO	VERSUS
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	TOTAL	TOTAL	METRO
2018	44.0%	60.9%	n.a.	0.0%	0.0%	28.7%	50.6%	61.4%	45.9%	36.3%	●
2019	26.2%	66.6%	0.0%	0.0%	100.0%	29.2%	36.8%	29.3%	32.8%	40.7%	●
2020	55.9%	90.5%	100.0%	0.0%	0.0%	78.9%	53.2%	54.0%	60.2%	45.2%	●
2021	24.0%	75.3%	100.0%	0.0%	0.0%	44.0%	31.1%	27.5%	33.6%	22.0%	●
2022	13.3%	36.6%	100.0%	0.0%	100.0%	31.9%	18.8%	9.7%	19.8%	21.3%	●
2022 Q4	13.3%	36.6%	100.0%	0.0%	100.0%	31.9%	18.8%	9.7%	19.8%	21.3%	●
2023 Q1	7.3%	38.5%	0.0%	0.0%	0.0%	14.9%	15.3%	7.5%	12.8%	21.3%	●
2023 Q2	16.9%	22.8%	0.0%	0.0%	0.0%	31.0%	8.3%	16.1%	17.0%	22.9%	●
2023 Q3	10.1%	32.6%	75.0%	0.0%	0.0%	20.4%	12.7%	15.3%	15.6%	24.9%	●

Source: MPF Research® Legend: ● Outperforming ● Underperforming ● Similar

### CONCESSIONS AS PERCENT OF PGI WEST UNIVERSITY/MEDICAL CENTER/THIRD WARD SUBMARKET

PERIOD	BY VINTAGE					BY STYLE			SUBMARKET	METRO	VERSUS
	2000+	1990s	1980s	1970s	PRE-1970s	LOW-RISE	MID-RISE	HIGH-RISE	TOTAL	TOTAL	METRO
2018	5.1%	2.5%	n.a.	n.a.	n.a.	2.8%	4.1%	6.3%	4.5%	4.5%	●
2019	11.0%	1.4%	n.a.	n.a.	2.0%	1.7%	6.1%	15.1%	8.1%	4.2%	●
2020	10.8%	5.9%	11.7%	n.a.	n.a.	6.2%	10.9%	11.6%	10.0%	5.1%	●
2021	7.0%	2.1%	2.8%	n.a.	n.a.	2.4%	4.0%	8.7%	5.3%	4.6%	●
2022	4.5%	1.5%	0.9%	n.a.	1.8%	1.2%	3.5%	6.0%	3.4%	3.6%	●
2022 Q4	4.5%	1.5%	0.9%	n.a.	1.8%	1.2%	3.5%	6.0%	3.4%	3.6%	●
2023 Q1	6.1%	1.3%	n.a.	n.a.	n.a.	1.1%	4.2%	6.2%	3.9%	3.7%	●
2023 Q2	4.7%	2.2%	n.a.	n.a.	n.a.	2.1%	5.0%	5.9%	4.1%	3.9%	●
2023 Q3	5.1%	2.7%	2.7%	n.a.	n.a.	3.2%	4.2%	4.7%	4.2%	3.6%	●

Source: MPF Research® Legend: ● Outperforming ● Underperforming ● Similar

### Submarket Construction Activity

The following projects are listed as being currently under construction within the submarket.

#### CONSTRUCTION ACTIVITY WEST UNIVERSITY/MEDICAL CENTER/THIRD WARD SUBMARKET

PROPERTY NAME	PROPERTY TYPE	NO. OF UNITS	NO. OF STORIES	PROJECT STATUS	START DATE	FINISH DATE
The Langley	Conventional	134	20	Under Construction	5/1/23	5/1/25
TOTAL UNITS:		134				

Source: MPF Research®

### TRANSACTION TRENDS

#### Sales Volume

The volume of sale transactions for similar assets has been Low over the past six months within the local area. This assertion is supported by the comparable sales that were selected for the Sales Comparison Approach. These sales are all recent transactions, which provides support for the reported market sales activity. According to brokers surveyed, multi-family investment activity is subdued compared to the first half of 2022 due to the increases in the Fed Funds Target Rate which impacts several products including mortgage lending rates. Fundamentals of multi-family properties remain resilient with healthy rent growth and healthy occupancy levels seen across most markets. However, with interest rates in the 6.0% to 7.0% range, most investors are not pursuing multi-family investments for the time being. Brokers reported the only active investors in the multi-family assets are more local in nature with syndicated funds and local/regional bank debt, generally under \$40M price point. Many debt sources are not lending in this inflationary environment as pricing appears to be fleeting based on reports by brokers whom have had deals fall out of contract due to the buyer's lender backing out of the deal. Sales volume is directly impacted by the activity levels of sellers and buyers of this property type.

### Seller Activity

Based on research completed on various listing sources including CoStar and Loopnet, properties similar to the subject in terms of pricing and overall investment appeal have somewhat limited availability, with few listings offered within the marketplace. This trend was confirmed with Multi-Family Investment Brokers during the market participant interview process, and represents the general sentiment of market participants interviewed for this and other assignments. Market participants indicated the primary type of seller in the market right now are owners with looming debt maturities or distressed operations.

### Most Probable Buyer Profile/Activity

In the open market, the subject property type would command most interest from national buyers that are actively pursuing similar large investment properties. There is currently minimal buyer demand for substitute properties of the subject based on the volume of sale transactions and reports by buyers, sellers and other market participants during confirmation of market transactions. The most probable buyer is a national investor. The majority of the buyers in the market for class A properties in the Houston market are one who have the ability to secure a PFC agreement with the Housing Authority or are seeking properties with favorable assumable debt or value add upside.

### Transaction Trends Conclusion

Based on the preceding analysis, there is an established sales market for the subject property. As previously discussed, the velocity of sale transactions has been low over the past six months. Currently there is minimal buyer demand, while there is somewhat limited availability for this property type on the supply side. Based on these factors, conditions favor buyers in regard to negotiating sale terms. One of the greatest observed strengths of this asset type is the particularly sound fundamentals compared to other commercial real estate sectors. One of the greatest observed weaknesses of this asset type is the limited availability of financing based on its marginal appeal to various debt financing sources.

## COMPETITIVE DATASET ANALYSIS

The majority of existing supply in the subject's immediate market area was constructed between the 2000s and 2020s. The general area has average to good appeal. The following table summarizes the results of a vacancy survey of directly competing properties to the subject that was confirmed during development of this assignment.

VACANCY SURVEY AS OF NOVEMBER 2023			
PROJECT	UNITS	VACANT UNITS	VACANCY
Revl Med Center	281	22	7.8%
SYNC Med Center	304	25	8.2%
District 28	299	27	9.0%
5755 Hermann Park	193	14	7.3%
Adenine Apartments	265	11	4.2%
Aspire at 610	280	34	12.1%
<b>TOTAL/AVERAGE</b>	<b>1,622</b>	<b>133</b>	<b>8.2%</b>

Source: Colliers International Valuation & Advisory Services

## SUBJECT PROPERTY ANALYSIS

This market analysis has examined historical and current supply/demand trends for the subject property type on market and submarket levels. Further, the subject's competitive dataset was profiled and analyzed to gain perspective of supply/demand conditions for properties in direct competition with the subject. Market participant interviews were conducted to provide ground level support of what is really occurring in the marketplace. Next, transaction trends were researched and analyzed. The final step will be to draw conclusions from the market data and analyses based on their perceived influence on the subject property.

The subject is a Multifamily (Mid/High-Rise Housing) asset with a total of 326 units. The market generally classifies the subject as a large investment property. The subject consists of Studio, 1 bedroom, and 2 bedroom units. The absorption forecast and related lease-up costs for the subject to achieve stabilization are treated in the Valuation section.

## DEMAND

### Vacancy

Vacancy in the subject's market area is anticipated to remain stable in upcoming months. Based on conversations with on-site managers and owners, vacancy rates in the subject's market area have remained generally stable over the past 12 months.

### Rent Levels

Property managers in the area indicate that rents have remained generally level in the area over the past few months. Overall, rent levels are anticipated to remain stable over the next several months given the relatively strong occupancy throughout the area.

### Concessions

The level of rental concessions being offered in a market area provides another indication of the level of demand for apartment units. Typical concessions in the market include discounts for new move-ins and for new residents that sign long-term lease agreements. The subject is not currently offering concession. According to our Colliers International Valuation & Advisory Services survey, some of the complexes in the subject's market area are currently offering concessions.

### Tenant Appeal Conclusion

Based on our analysis of the subject property and investigation of comparable properties in the marketplace, the subject is considered to have average overall tenant appeal with a relatively weak competitive position for attracting and retaining tenants.

### Buyer Appeal Conclusion

Based on our analysis of the subject property and investigation of substitute properties in the marketplace, the subject is considered to have below average overall buyer appeal with a relatively weak competitive position if the asset was exposed to the open market.

### General Vacancy Conclusion

As summarized in the table below this market analysis relied on various published data sources and field research for assessing how supply/demand conditions influence the long-term vacancy estimate of the subject property.

GENERAL VACANCY CONCLUSION			
MPF	3Q 2023	LAST YR	AVG LAST 5
Houston	7.0%	7.0%	6.6%
West University / Medical Center / River Oaks	5.2%	6.3%	6.7%
<b>Competitive Set</b>	8.2%	-	-
<b>Subject</b>	30.0%	-	-
<b>GENERAL VACANCY RATE CONCLUSIONS</b>			<b>8.0%</b>

## SUMMARY OF MARKET ANALYSIS

Overall, based on interviews with planners and brokers, and Colliers International Valuation & Advisory Services market survey, there is sufficient demand for the improvements. The depth of demand for the subject property is anticipated to be sufficient based on continuing economic and population growth in the subject's area. Rent levels are anticipated to remain stable in the coming months. Demand is expected to remain strong in the subject's immediate market area based upon the general location near the Houston urban core which provides additional strength for the multi-family market in the immediate area.

## EXPOSURE TIME & MARKETING PERIOD

Exposure time is defined as "An opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal." (The Dictionary of Real Estate Appraisal, Appraisal Institute, 2022). Reasonable exposure time is impacted by the aggressiveness and effectiveness of a property's exposure to market participants, availability and cost of financing, and demand for similar investments. Exposure time is best established based the recent history of marketing periods for comparable sales, discussions with market participants and information from published surveys.

The following information was taken into consideration to develop estimates of exposure time and marketing period for the subject property:

EXPOSURE TIME & MARKETING PERIOD				
SOURCE	QUARTER	RANGE		AVG
PriceWaterhouse Coopers				
National Apartment Market	3Q 23	2.0 to	12.0	6.0
Southeast Region Apartment	3Q 23	3.0 to	6.0	4.2
AVERAGE		2.5 to	9.0	5.1

The availability of acquisition financing factors into exposure time. In recent quarters, financing has been available for well-positioned commercial real estate, particularly for stabilized assets within core MSAs and owner/user deals. For second tier or marginal properties, financing has been available but subject to more stringent requirements. Based on review of the local capital market, we conclude that adequate financing options would have been available to consummate a sale of the property on the date of value.

### Exposure Time Conclusion

The preceding information generally supports an exposure time range from 3.0 to 6.0 months for Multifamily (Mid/High-Rise Housing) properties. The subject property is of average/good quality and is in average/good condition. Based on its overall physical and locational characteristics, the subject has average overall appeal to investors. Considering these factors, a reasonable estimate of exposure time for the subject property is six months or less.

### Marketing Period Conclusion

Marketing period is very similar to exposure time, but reflects a projected time period to sell the property, rather than a retrospective estimate. We have reviewed open listings and discussed the market with local participants, and given the nature of the subject property, we feel that a time period of six months or less is supported for the subject's marketing period.



## INTRODUCTION

The highest and best use of an improved property is defined as that reasonable and most probable use that will support its highest present value. The highest and best use, or most probable use, must be legally permissible, physically possible, financially feasible, and maximally productive. This section develops the highest and best use of the subject property As-Vacant and As-Improved.

## AS-VACANT ANALYSIS

### Legal Factors

The legal factors that possibly influence the highest and best use of the subject site are discussed in this section. Private restrictions, zoning, building codes, historic district controls, and environmental regulations are considered, if applicable to the subject site. Permitted uses of the subject's None (None) zoning were listed in the Zoning Analysis section and include a wide range of uses that include residential, commercial, and industrial development. The potential use that meets the requirements of the legal permissibility test is multi-family development.

### Physical & Locational Factors

Regarding physical characteristics, the subject site is rectangular in shape and has level topography with average access and fair/average exposure. The subject is surrounded by light-industrial development, commercial development and single-family development. Given the subject's location and surrounding uses, the subject site is desirable for multifamily development. Of the outright permitted uses, physical and locational features best support development of a residential property as market conditions warrant for the site's highest and best use as-vacant.

### Feasibility Factors

The financial feasibility of those uses that meet the legal and physical tests discussed is analyzed further in this section. Supply and demand conditions affect the financial feasibility of possible uses. Indicators of feasibility, which typically indicate favorable or non-favorable supply and demand conditions, include construction financing and proposed projects. In recent quarters there has been new multifamily development throughout the subject's market area. This is evidence that new multifamily construction is feasible at this time. Financial feasibility factors generally support a three to five-year hold prior to development.

### As-Vacant Conclusion

Based on the previous discussion, the subject's highest and best use as-vacant is concluded to be development of a residential property as market conditions warrant.

## AS-IMPROVED ANALYSIS

### Legal Factors

The subject property, as-improved, is a multifamily mid/high-rise housing project that is zoned None (None). The subject's improvements represent a legal, conforming use. The legal factors influencing the highest and best use of the property support the subject's use as-improved.

### Physical & Locational Factors

The physical and location characteristics of the subject improvements have been previously discussed in this report. In summary, the subject's improvements were constructed in 2022 and have a remaining economic life of 54 years based on our estimate. The project is of average/good quality construction and in average/good condition, with adequate service amenities. The subject improvements as-improved are sufficiently supported by site features including its rectangular, level topography, average access and fair/average exposure. Further, the subject's location supports the subject improvements as-improved with similar and homogeneous

developments present in the subject's immediate market area. Physical and location factors influencing the highest and best use of the property support the subject's use as-improved.

### Alternative Uses & Feasibility Factors

In addition to legal and physical considerations, analysis of the subject property as-improved requires the treatment of two important issues: 1) consideration of alternative uses for the property; and 2) the marketability of the most probable use. The five possible alternative treatments of the property are demolition, expansion, renovation, conversion, and the subject's use as-improved.

- › **Demolition** The subject improvements contribute significant value above the current land value. Therefore, demolition is not applicable in this case.
- › **Expansion** The subject property comprises approximately 6.39 acres (278,452 SF) and is improved with a mid/high-rise housing multifamily development. The subject site does not contain additional site area for expansion. Therefore, expansion of the subject is not considered a viable option.
- › **Renovation** The subject property is approximately 1 years old and is in average/good condition. Some of the units at the subject have received renovations. Renovating units at the subject is an option. However, the feasibility of said renovation would depend on the scope of work and the associated costs. Based on the scope of work agreed upon for this assignment, we have valued the subject in its as-is condition.
- › **Conversion** Conversion is neither appropriate nor applicable to this property.
- › **Continued Use "As-Is"** The final option is the continued use of the property "As-Is." This is legal, physically possible, and financially feasible. Therefore, continued use, a multifamily (mid/high-rise housing) development is considered appropriate.

Among the five alternative uses, the subject's use as-improved is supported to be its Highest and Best Use.

### Marketability Factors

As previously indicated in the Market Analysis, the subject property has fair/average marketability. The condition of the property reflects average maintenance and appeal. In general apartment supply/demand conditions and immediate market area trends support viable short and long-term operations of the subject's use as-improved. Based on our analysis of the subject property and investigation of comparable properties in the marketplace, the subject is considered to have average overall tenant appeal with a relatively weak competitive position for attracting and retaining tenants. Based on our analysis of the subject property and investigation of substitute properties in the marketplace, the subject is considered to have below average overall buyer appeal with a relatively weak competitive position if the asset was exposed to the open market.

### As-Improved Conclusion

Legal, physical, and market considerations have been analyzed to evaluate the highest and best use of the property. This analysis is presented to evaluate the type of use that will generate the greatest level of future benefits possible from the property. Based on the previous discussion, the highest and best use of the subject property as-improved is concluded to be continued use as a residential property.

## INTRODUCTION

The following presentation of the appraisal process deals directly with the valuation of the subject property. The following paragraphs describe the standard approaches to value that were considered for this analysis.

## INCOME APPROACH

The Income Approach is based on the premise that properties are purchased for their income producing potential. It considers both the annual return on the invested principal and the return of the invested principal. This valuation technique entails careful consideration of contract rents currently in place, projected market rents, other income sources, vacancy allowances, and projected expenses associated with the efficient operation and management of the property. The relationship of these income estimates to property value, either as a single stream or a series of projected streams, is the essence of the income approach. The three fundamental methods of this valuation technique include Direct Capitalization, Discounted Cash Flow and Effective Gross Income Multiplier.

- **Direct Capitalization**

This method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over a buyer's investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

- **Discounted Cash Flow (DCF)**

The DCF analysis models a property's performance over a buyer's investment horizon from the date of acquisition through the projected sale of the property at the end of the holding period. Net cash flows from property operations and the reversion are discounted at a rate reflective of the property's economic and physical risk profile.

- **Effective Gross Income Multiplier**

Also known as the EGIM, this method is appropriate within the Income Approach because it is recognized that purchasers are concerned with the income-producing ability of the property. The EGIM is derived by dividing the effective gross annual income of each comparable into the sales price. The EGIM has the advantages of simplicity and easy calculation. It is based on the premise that rents and sales prices move in the same direction and, essentially, in the same proportion as do net income and sales prices. The EGIM is typically used without adjustments. The final selection of an effective income multiplier is based upon the applicability of each comparable and a range is established.

Development of the Income Approach is a specific scope requirement of this assignment. Characteristics specific to the subject property warrant that this valuation technique is developed. The subject is an investment property; therefore, the Income Approach represents the decision making process of knowledgeable buyers and sellers of this property type. The Direct Capitalization method is used in this analysis. Discounted Cash Flow analysis does not contribute substantially to estimating value beyond the direct capitalization method and is not used in this analysis.

## SALES COMPARISON APPROACH

The Sales Comparison Approach is based on the principle of substitution, which asserts that no one would pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by applying transactional and property adjustments in order to bracket the subject property on an appropriate unit value comparison. The sales comparison approach is applicable when sufficient data on recent market transactions is available. Alternatively, this approach may offer limited reliability because many properties have unique characteristics that cannot be accounted for in the adjustment process.

Development of the Sales Comparison Approach is a specific scope requirement of this assignment. Characteristics specific to the subject property warrant that this valuation technique to be developed. Sufficient sales data is available to provide a credible value estimate by the Sales Comparison Approach. Based on this reasoning, the Sales Comparison Approach is presented within this appraisal.

### **LAND VALUATION**

Development land in the subject marketplace is most often valued utilizing the Sales Comparison Approach. Development of the subject site value is not a specific scope requirement of this assignment. Characteristics specific to the subject property warrant that a site value is developed. The site value is required to be developed for use within the Cost Approach. Within the Site Valuation section, the subject is valued as one marketable economic site.

### **COST APPROACH**

The Cost Approach is a set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised. For investment properties, this valuation technique is most often relied upon as a test of financial feasibility for proposed construction.

Development of the Cost Approach is not a specific scope requirement of this assignment. Characteristics specific to the subject property warrant that this valuation technique is developed. The subject property is new or recently new construction, which increases the reliability of utilizing the Cost Approach. Knowledgeable buyers and sellers typically do not rely on this valuation technique for income-producing properties similar to the subject. Based on the preceding information, the Cost Approach will be presented.

### **RECONCILIATION OF VALUE CONCLUSIONS**

The Income (Direct Capitalization), Sales Comparison and Cost approaches are used to value the subject property, which will be reconciled into the final opinions of market value in the Analysis of Value Conclusions section.



## INTRODUCTION

The Income Approach is based on the premise that properties are purchased for their income producing potential. It considers both the annual return on the invested principal and the return of the invested principal. This valuation technique entails careful consideration of contract rents currently in place, projected market rents, other income sources, vacancy allowances, and projected expenses associated with the efficient operation and management of the property. The relationship of these income estimates to property value, either as a single stream or a series of projected streams, is the essence of the income approach. The three fundamental methods of this valuation technique include Direct Capitalization, Discounted Cash Flow and Effective Gross Income Multiplier.

### Direct Capitalization

This method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over a buyer's investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

### Discounted Cash Flow (DCF)

The DCF analysis models a property's performance over a buyer's investment horizon from the current as is status of the property, to projected stabilization of operations and through the projected sale of the property at the end of the holding period. Net cash flows from property operations and the reversion are discounted at a rate reflective of the property's economic and physical risk profile.

### Effective Gross Income Multiplier

Also known as the EGIM, this method is appropriate within the Income Approach because it is recognized that purchasers are concerned with the income-producing ability of the property. The EGIM is derived by dividing the effective gross annual income of each comparable into the sales price. The EGIM has the advantages of simplicity and easy calculation. It is based on the premise that rents and sales prices move in the same direction and, essentially, in the same proportion as do net income and sales prices. The EGIM is typically used without adjustments. The final selection of an effective income multiplier is based upon the applicability of each comparable and a range is established.

Given the appraisal problem and defined scope of work, the following table summarizes the value scenarios and Income Approach methods developed within this appraisal report:

INCOME APPROACH VALUE SCENARIOS			
VALUE SCENARIO	METHODS USED		
	DIRECT CAP	DCF	EGIM
As-Is Market Value	✓		
Prospective Value Upon Stabilization	✓		

As previously discussed within the Valuation Methods section, the Direct Capitalization method is used in this analysis, and Discounted Cash Flow analysis is not developed.

### Income Approach Framework

The following identifies the primary sections and order in which the Income Approach is developed.

- › Subject Information
- › Apartment Rent Analysis
- › Cash Flow Risk Analysis
- › Income & Expense Analysis
- › Investment Market Analysis

- › Direct Capitalization
- › Adjustments to Value
- › Income Approach Reconciliation

## SUBJECT INFORMATION

**Rent Roll Data** - A rent roll dated October 18, 2023 was provided for our analysis. A copy of the rent roll is located in the addenda of this report. The following table displays the unit statistics of each floor plan based on our analysis of the rent roll.

SUBJECT LEASING INFORMATION										
UNIT TYPE	UNIT SUMMARY			UNITS	AVG	UNIT %	ASKING RENT			
	OCC	VAC	TOT	PERCENT OF TOTAL	UNIT SF	NRA SF	PER UNIT	TOTAL \$/MO	AVG \$/SF	
STUDIO / 1 BA	6	11	17	5.2%	509	8,653	35%	\$997	\$16,955	\$1.96
STUDIO / 1 BA	38	12	50	15.3%	537	26,850	76%	\$1,082	\$54,076	\$2.01
1 BD / 1 BA	2	1	3	0.9%	555	1,665	67%	\$1,251	\$3,752	\$2.25
1 BD / 1 BA	5	0	5	1.5%	594	2,970	100%	\$1,470	\$7,350	\$2.47
1 BD / 1 BA	31	22	53	16.3%	627	33,231	58%	\$1,453	\$77,018	\$2.32
1 BD / 1 BA	14	4	18	5.5%	669	12,042	78%	\$1,528	\$27,511	\$2.28
1 BD / 1 BA	57	9	66	20.2%	687	45,342	86%	\$1,585	\$104,610	\$2.31
1 BD / 1 BA	7	1	8	2.5%	804	6,432	88%	\$1,683	\$13,460	\$2.09
1 BD / 1 BA	26	4	30	9.2%	828	24,840	87%	\$1,682	\$50,450	\$2.03
2 BD / 2 BA	2	5	7	2.1%	1,042	7,294	29%	\$1,791	\$12,540	\$1.72
2 BD / 2 BA	4	0	4	1.2%	1,129	4,516	100%	\$2,106	\$8,425	\$1.87
2 BD / 2 BA	35	16	51	15.6%	1,154	58,854	69%	\$2,035	\$103,785	\$1.76
2 BD / 2 BA	7	7	14	4.3%	1,189	16,646	50%	\$2,043	\$28,595	\$1.72
<b>TOTAL/AVG</b>	<b>234</b>	<b>92</b>	<b>326</b>	<b>100%</b>	<b>765</b>	<b>249,335</b>	<b>71.8%</b>	<b>\$1,560</b>	<b>\$508,527</b>	<b>\$2.04</b>

RECENT LEASES AS OF JANUARY 1, 2020 THROUGH NOVEMBER 28, 2023

We have requested but not been provided with the subject's current in place rates. Further, we have requested but not been provided with the lease commencement and expiration dates for any of the subject's current tenants. Therefore, we cannot determine the in place average rent or the rent of recently signed leases. We have been provided with what we believe is the current asking rent for each unit type however we have not been able to verify their accuracy. Please see our extraordinary assumption regarding the subject's rent roll.

**Subject Utility Structure**

- › **Water / Sewer** - Not included in the rent - RUBS system is used (tenants reimburse owner through 3rd party)
- › **Trash Removal** - Not included in the rent - RUBS system is used (tenants reimburse owner through 3rd party)
- › **Gas** - Not present at the subject property
- › **Electricity** - Not included in the rent - Residents directly billed from utility provider
- › **Telephone** - Not included in the rent
- › **Cable** - Not included in the rent
- › **Internet** - Not included in the rent
- › The subject utilizes a 3rd-party service to administer the billing of the RUBS utilities.

**ANALYSIS OF RENT COMPARABLES****Unit of Comparison**

The analysis is conducted on a rent per month basis, reflecting market behavior. This unit of comparison is predominantly used in this market.

**Selection of Comparables**

A complete search of the area was conducted in order to find the most comparable complexes in terms of age, appeal, condition, number of units, and amenities. The rent comparables are located in the subject's local area and range from 0.4 to 2.7 miles from the subject site, with an average distance of 1.2 miles. The subject is in average/good condition with average appeal for the market area considering its vintage. The comparables selected in this analysis are similar properties to the subject property.

**Concessions**

Some of the comparables were offering concessions at the time of survey. Please see the data sheets for full details. Most Class A communities utilize lease optimizer programs which reflect market rents inclusive of rent specials so they are not reported. However, when looking at financial statements of similar properties, this is almost always a concession line which indicates concessions do exist. As such marginal concessions are estimated for the subject property.

**Presentation**

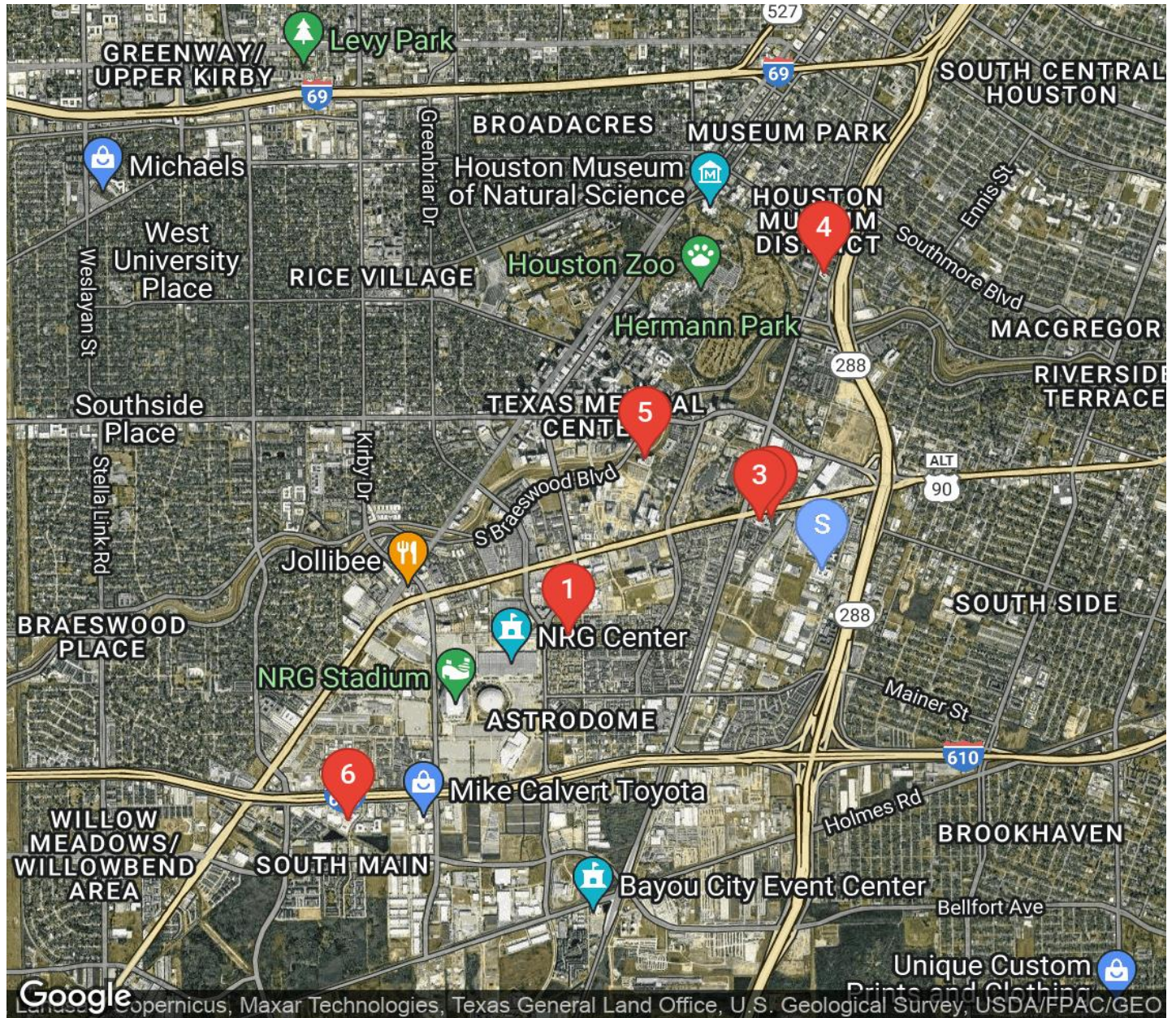
The following presentation summarizes the comparables most similar to the subject property. A Rent Comparable Summation Table, Rent Comparable Location Map, Data Sheets, and analysis of the rent comparables is presented on the following pages.

## RENT SUMMATION TABLE

COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5	COMPARABLE 6
<b>Name</b>	Virtuo Med Center Apartments	Revl Med Center	SYNC Med Center	District 28	5755 Hermann Park	Adenine Apartments	Aspire at 610
<b>Address</b>	7110 Ardmore Street	7892 Knight Road	2950 Old Spanish Trail	2828 Old Spanish Trail	5755 Hermann Park	1755 Wyndale Street	8900 Lakes at 610 Drive
<b>City</b>	Houston	Houston	Houston	Houston	Houston	Houston	Houston
<b>State</b>	TX	TX	TX	TX	TX	TX	TX
<b>Zip</b>	77054	77054	77054	77054	77004	77030	77054
PHYSICAL INFORMATION							
<b>Project Design</b>	Mid-Rise	Mid-Rise	Mid-Rise	Mid-Rise	Mid-Rise	Mid-Rise	Mid-Rise
<b>Number of Units</b>	326	281	304	299	193	265	280
<b>NRA</b>	249,335	205,020	278,520	232,127	160,747	224,566	259,225
<b>Year Built</b>	2022	2022	2008	2016	2016	2015	2018
<b>Average SF/Unit</b>	765	730	916	776	826	847	926
RENT INFORMATION							
<b>Occupancy</b>	70.0%	92.0%	91.7%	91.0%	93.0%	96.0%	88.0%
<b>Rent Type</b>	Market Rent	Market Rent	Market Rent	Market Rent	Market Rent	Market Rent	Market Rent
<b>\$/Unit Average</b>	-	\$1,687	\$1,437	\$1,638	\$1,678	\$1,749	\$1,450
<b>\$/SF Average</b>	-	\$2.31	\$1.57	\$2.11	\$2.03	\$2.06	\$1.57
<b>Studio \$/Unit Avg</b>	-	\$1,286	-	-	\$1,437	\$1,359	-
<b>1 BD \$/Unit Avg</b>	-	\$1,477	\$1,297	\$1,510	\$1,656	\$1,687	\$1,386
<b>2 BD \$/Unit Avg</b>	-	\$2,184	\$1,645	\$2,119	\$2,202	\$2,545	\$1,566



## RENT COMPARABLE LOCATION MAP



## COMPARABLE KEY

COMP	DISTANCE	NAME	ADDRESS	OCC %	AVG SF/UNIT	UNITS	BUILT
SUBJECT	-	Virtuo Med Center Apartments	7110 Ardmore Street, Houston, TX	70.0%	765	326	2022
No. 1	1.3 Miles	Revl Med Center	7892 Knight Road, Houston, TX	92.0%	730	281	2022
No. 2	0.4 Miles	SYNC Med Center	2950 Old Spanish Trail, Houston, TX	91.7%	916	304	2008
No. 3	0.4 Miles	District 28	2828 Old Spanish Trail, Houston, TX	91.0%	776	299	2016
No. 4	1.5 Miles	5755 Hermann Park	5755 Hermann Park, Houston, TX	93.0%	826	193	2016
No. 5	1.1 Miles	Adenine Apartments	1755 Wyndale Street, Houston, TX	96.0%	847	265	2015
No. 6	2.7 Miles	Aspire at 610	8900 Lakes at 610 Drive, Houston, TX	88.0%	926	280	2018



**COMPARABLE 1****LOCATION INFORMATION**

Name	Revl Med Center
Address	7892 Knight Road
City, State, Zip Code	Houston, TX, 77054
MSA	Houston-The Woodlands-Sugar Land, TX

**PHYSICAL INFORMATION**

Project Design	Mid-Rise
Number of Units	281
Year Built	2022
Net Rentable Area (NRA)	205,020
Average Unit Size (SF)	730
Rent Type	Market Rent
Location	Good
Quality	Good
Condition	Excellent
Project Amenities	BBQ/Picnic Area, Business Center, Clubhouse, Common Area Wi-Fi, Courtyard, Electronic Gate, Elevators, Fitness Center, Game Room, On-site Manager, Security Alarm/Patrol, Swimming Pool
Unit Amenities	Air Conditioning, Alarm System, Balcony/Patio, Ceiling Fans, Complete Appliance Package, Garbage Disposal, Microwave, Parking Garage, Premium Appliances, Premium Countertops, Premium Parking Garage
Parking	

UTILITIES	INCL. IN RENT	NOT INCL. IN RENT
Electricity		✓
Water		✓
Hot Water		✓
Sewer		✓
Garbage		✓
Telephone		✓
Gas		✓
Cable/Satellite		✓
High-Speed Internet		✓

**UNIT MIX**

DESCRIPTION	UNITS	SIZE	LOW	HIGH	AVG RENT
STUDIO / 1 BA	4	444			\$1,198
STUDIO / 1 BA	20	448			\$1,244
STUDIO / 1 BA	28	464			\$1,328
1 BD / 1 BA	4	600			\$1,444
1 BD / 1 BA	49	608			\$1,432
1 BD / 1 BA	5	630			\$1,418
1 BD / 1 BA	70	633			\$1,483
1 BD / 1 BA	25	640			\$1,440
1 BD / 1 BA	10	735			\$1,674
1 BD / 1 BA	4	797			\$1,787
2 BD / 2 BA	1	1,078			\$2,125

**REVL MED CENTER****OCCUPANCY / ABSORPTION**

Vacant Units	22
Occupancy Rate	92%
Fees & Deposits	N/A
Concessions	None

**CONFIRMATION**

Name	Confidential
Source	ADS
Date	11/30/2023
Phone Number	+1 346 617 2358

**REMARKS**

Revl Med Center is a class A new construction apartment property south the Texas Medical Center. Unit finishes include premium stainless steel appliances, wall to wall vinyl flooring, and quartz counter tops. Amenities include a swimming pool, clubhouse, and fitness center.

**COMPARABLE 2****LOCATION INFORMATION**

Name	SYNC Med Center
Address	2950 Old Spanish Trail
City, State, Zip Code	Houston, TX, 77054
MSA	Houston-The Woodlands-Sugar Land, TX

**PHYSICAL INFORMATION**

Project Design	Mid-Rise
Number of Units	304
Year Built	2008
Net Rentable Area (NRA)	278,520
Average Unit Size (SF)	916
Rent Type	Market Rent
Location	Average
Quality	Average
Condition	Average
Project Amenities	BBQ/Picnic Area, Business Center, Clubhouse, Dog Park, Electronic Gate, Elevators, Fitness Center, Game Room, On-site Manager, Playground, Swimming Pool

Unit Amenities	Air Conditioning, Balcony/Patio, Ceiling Fans, Complete Appliance Package, Garbage Disposal, Microwave, Parking Garage, Premium Appliances, Premium Countertops, Premium Flooring, Storage, Vaulted Ceilings, Walk-in Closets, Washer/Dryer Hookups, Washer/Dryer In-Unit
Parking	Parking Garage

UTILITIES	INCL. IN RENT	NOT INCL. IN RENT
Electricity		✓
Water		✓
Hot Water		✓
Sewer		✓
Garbage		✓
Telephone		✓
Gas		✓
Cable/Satellite		✓
High-Speed Internet		✓

**UNIT MIX**

DESCRIPTION	UNITS	SIZE	LOW	HIGH	AVG RENT
1 BD / 1 BA	4	646			\$1,278
1 BD / 1 BA	12	667	\$1,085	\$1,185	\$1,135
1 BD / 1 BA	48	680			\$1,292
1 BD / 1 BA	36	713			\$1,285
1 BD / 1 BA	35	714	\$1,152	\$1,330	\$1,241
1 BD / 1 BA	16	733	\$1,250	\$1,365	\$1,308
1 BD / 1 BA	4	789			\$1,230
1 BD / 1 BA	1	796			\$1,300
1 BD / 1 BA	12	811			\$1,405
1 BD / 1 BA	3	865			\$1,330
1 BD / 1 BA	4	1,027			\$1,645

**SYNC MED CENTER****OCCUPANCY / ABSORPTION**

Vacant Units	25
Occupancy Rate	92%
Fees & Deposits	N/Av
Concessions	Up to \$500 off the first full month

**CONFIRMATION**

Name	Confidential
Source	ADS
Date	11/30/2023
Phone Number	+1 855 648 5353

**REMARKS**

SYNC Med Center is a 4 story midrise apartment property on Old Spanish Trail across from the Texas Medical Center. Unit finishes include stainless steel appliances, black granite counter tops, and vinyl flooring in kitchens and living rooms, carpet in bedrooms, and white tile in bathrooms. Units include washer / dryers. Amenities include a pool, fitness center, clubhouse, package lockers, movie room, and dog park.

**COMPARABLE 3****LOCATION INFORMATION**

Name	District 28
Address	2828 Old Spanish Trail
City, State, Zip Code	Houston, TX, 77054
MSA	Houston-The Woodlands-Sugar Land, TX

**PHYSICAL INFORMATION**

Project Design	Mid-Rise
Number of Units	299
Year Built	2016
Net Rentable Area (NRA)	232,127
Average Unit Size (SF)	776
Rent Type	Market Rent
Location	Average/Good
Quality	Good
Condition	Good/Excellent
Project Amenities	BBQ/Picnic Area, Business Center, Clubhouse, Courtyard, Dog Park, Electronic Gate, Elevators, Fitness Center, On-site Manager, Security Alarm/Patrol, Swimming Pool
Unit Amenities	Air Conditioning, Alarm System, Balcony/Patio, Ceiling Fans, Complete Appliance Package, Dishwasher, Garbage Disposal, Parking Garage, Premium Appliances, Premium Countertops, Premium Flooring, Walk-in Closets, Washer/Dryer Hookups, Washer/Dryer In-Unit
Parking	Parking Garage

<b>UTILITIES</b>	<b>INCL. IN RENT</b>	<b>NOT INCL. IN RENT</b>
Electricity		✓
Water		✓
Hot Water		✓
Sewer		✓
Garbage		✓
Telephone		✓
Gas		✓
Cable/Satellite		✓
High-Speed Internet		✓

**UNIT MIX**

<b>DESCRIPTION</b>	<b>UNITS</b>	<b>SIZE</b>	<b>LOW</b>	<b>HIGH</b>	<b>AVG RENT</b>
1 BD / 1 BA	66	633			\$1,525
1 BD / 1 BA	36	672			\$1,485
1 BD / 1 BA	18	678	\$1,366	\$1,430	\$1,398
1 BD / 1 BA	8	683			\$1,360
1 BD / 1 BA	8	700			\$1,475
1 BD / 1 BA	2	707			\$1,302
1 BD / 1 BA	4	709			\$1,353
1 BD / 1 BA	63	720	\$1,445	\$1,612	\$1,529
1 BD / 1 BA	3	782			\$1,546
1 BD / 1 BA	28	815			\$1,620
2 BD / 1 BA	1	917			\$1,550

**DISTRICT 28****OCCUPANCY / ABSORPTION**

Vacant Units	27
Occupancy Rate	91%
Fees & Deposits	N/Av
Concessions	One month free on all floor plans

**CONFIRMATION**

Name	Confidential
Source	ADS
Date	11/30/2023
Phone Number	+1 866 479 7269

**REMARKS**

The property is located on the south side of Old Spanish Trail near the Houston Medical Center. Unit finishes include stainless steel appliances, granite counter tops, and vinyl wood flooring in Livingroom, kitchens and bathrooms with carpet in bedrooms and closets. Units include a washer / dryer. Amenities include a swimming pool, fitness room, clubhouse, BBQs, and a dog park.



**COMPARABLE 4****LOCATION INFORMATION**

Name	5755 Hermann Park
Address	5755 Hermann Park
City, State, Zip Code	Houston, TX, 77004
MSA	Houston-The Woodlands-Sugar Land, TX

**PHYSICAL INFORMATION**

Project Design	Mid-Rise
Number of Units	193
Year Built	2016
Net Rentable Area (NRA)	160,747
Average Unit Size (SF)	826
Rent Type	Market Rent
Location	Average/Good
Quality	Average/Good
Condition	Average/Good
Project Amenities	BBQ/Picnic Area, Business Center, Clubhouse, Elevators, Fitness Center, On-site Manager, Security Alarm/Patrol, Swimming Pool

Unit Amenities	Air Conditioning, Balcony/Patio, Garbage Disposal, Microwave, Premium Appliances, Premium Countertops, Premium Flooring, Walk-in Closets, Washer/Dryer Hookups, Washer/Dryer In-Unit
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**Parking**

<b>UTILITIES</b>	<b>INCL. IN RENT</b>	<b>NOT INCL. IN RENT</b>
Electricity		✓
Water		✓
Hot Water		✓
Sewer		✓
Garbage		✓
Telephone		✓
Gas		✓
Cable/Satellite		✓
High-Speed Internet		✓

**UNIT MIX**

<b>DESCRIPTION</b>	<b>UNITS</b>	<b>SIZE</b>	<b>LOW</b>	<b>HIGH</b>	<b>AVG RENT</b>
STUDIO / 1 BA	6	508			\$1,400
STUDIO / 1 BA	18	570	\$1,197	\$1,227	\$1,212
STUDIO / 1 BA	12	592			\$1,460
STUDIO / 1 BA	12	721			\$1,770
1 BD / 1 BA	24	619			\$1,460
1 BD / 1 BA	1	676			\$1,395
1 BD / 1 BA	11	687	\$1,590	\$1,635	\$1,613
1 BD / 1 BA	12	772			\$1,972
1 BD / 1 BA	2	825			\$2,042
1 BD / 1 BA	2	882			\$1,650
1 BD / 1 BA	4	917			\$1,770

**5755 HERMANN PARK****OCCUPANCY / ABSORPTION**

Vacant Units	14
Occupancy Rate	93%
Fees & Deposits	N/A
Concessions	None

**CONFIRMATION**

Name	Confidential
Source	ADS
Date	11/30/2023
Phone Number	+1 855 960 7237

**REMARKS**

5755 Hermann Park is a class A mid rise across Almeda Road from Hermann Park. Unit finishes include stainless steel appliances, granite counter tops, and a mix of vinyl, carpet, and tile flooring. Amenities include a swimming pool, fitness center, and clubhouse.

**COMPARABLE 5****LOCATION INFORMATION**

Name	Adenine Apartments
Address	1755 Wyndale Street
City, State, Zip Code	Houston, TX, 77030
MSA	Houston-The Woodlands-Sugar Land, TX

**PHYSICAL INFORMATION**

Project Design	Mid-Rise
Number of Units	265
Year Built	2015
Net Rentable Area (NRA)	224,566
Average Unit Size (SF)	847
Rent Type	Market Rent
Location	Good
Quality	Good/Excellent
Condition	Excellent
Project Amenities	BBQ/Picnic Area, Business Center, Clubhouse, Common Area Wi-Fi, Courtyard, Electronic Gate, Elevators, Fitness Center, Perimeter Fence, Security Alarm/Patrol, Swimming Pool
Unit Amenities	Air Conditioning, Balcony/Patio, Complete Appliance Package, Garbage Disposal, Premium Appliances, Premium Countertops, Premium Flooring, Walk-in Closets, Washer/Dryer Hookups, Washer/Dryer In-Unit

**Parking**

<b>UTILITIES</b>	<b>INCL. IN RENT</b>	<b>NOT INCL. IN RENT</b>
Electricity		✓
Water		✓
Hot Water		✓
Sewer		✓
Garbage		✓
Telephone		✓
Gas		✓
Cable/Satellite		✓
High-Speed Internet		✓

**UNIT MIX**

<u>DESCRIPTION</u>	<u>UNITS</u>	<u>SIZE</u>	<u>LOW</u>	<u>HIGH</u>	<u>AVG RENT</u>
STUDIO / 1 BA	36	553	\$1,289	\$1,428	\$1,359
1 BD / 1 BA	12	687			\$1,542
1 BD / 1 BA	6	729			\$1,566
1 BD / 1 BA	18	779			\$1,706
1 BD / 1 BA	61	793			\$1,615
1 BD / 1 BA	6	829			\$1,834
1 BD / 1 BA	6	836			\$1,686
1 BD / 1 BA	6	878			\$1,879
1 BD / 1 BA	28	901	\$1,619	\$1,812	\$1,716
1 BD / 1 BA	36	916			\$1,649
1 BD / 1 BA	6	929			\$1,866

**ADENINE APARTMENTS****OCCUPANCY / ABSORPTION**

Vacant Units	11
Occupancy Rate	96%
Fees & Deposits	N/A
Concessions	None

**CONFIRMATION**

Name	Confidential
Source	ADS
Date	11/30/2023
Phone Number	+1 832 827 3865

**REMARKS**

Modera Flats is a premium mid-rise development located on Braeswood Bayou in the Houston Medical Center. Unit finishes include stainless steel appliances, granite countertops, and wall to wall vinyl wood floor with the exception of the bedrooms which have carpet floors. Units include washer / dryers. Amenities include a swimming pool, fitness center, clubhouse, package lockers, and a dog park.

**COMPARABLE 6****LOCATION INFORMATION**

Name	Aspire at 610
Address	8900 Lakes at 610 Drive
City, State, Zip Code	Houston, TX, 77054
MSA	Houston-The Woodlands-Sugar Land, TX

**PHYSICAL INFORMATION**

Project Design	Mid-Rise
Number of Units	280
Year Built	2018
Net Rentable Area (NRA)	259,225
Average Unit Size (SF)	926
Rent Type	Market Rent
Location	Average
Quality	Average
Condition	Average
Project Amenities	Business Center, Clubhouse, Dog Park, Elevators, Fitness Center, Perimeter Fence, Swimming Pool

Unit Amenities	Air Conditioning, Ceiling Fans, Dishwasher, Garbage Disposal, Microwave, Parking Garage, Premium Countertops, Premium Flooring, Range/Stove, Refrigerator, Storage, Washer/Dryer Hookups, Washer/Dryer In-Unit
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Parking	Parking Garage
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<b>UTILITIES</b>	<b>INCL. IN RENT</b>	<b>NOT INCL. IN RENT</b>
Electricity		✓
Water		✓
Hot Water		✓
Sewer		✓
Garbage		✓
Telephone		✓
Gas		✓
Cable/Satellite		✓
High-Speed Internet		✓

**UNIT MIX**

<b>DESCRIPTION</b>	<b>UNITS</b>	<b>SIZE</b>	<b>LOW</b>	<b>HIGH</b>	<b>AVG RENT</b>
1 BD / 1 BA	56	697			\$1,310
1 BD / 1 BA	68	747			\$1,344
1 BD / 1 BA	3	783			\$1,475
1 BD / 1 BA	20	796			\$1,463
1 BD / 1 BA	32	861			\$1,548
1 BD / 1 BA	1	873			\$1,512
2 BD / 2 BA	3	1,154			\$1,850
2 BD / 2 BA	58	1,179			\$1,482
2 BD / 2 BA	16	1,215			\$1,560
2 BD / 2 BA	19	1,349			\$1,741
2 BD / 2 BA	4	1,447			\$1,765

**ASPIRE AT 610****OCCUPANCY / ABSORPTION**

Vacant Units	34
Occupancy Rate	88%
Fees & Deposits	N/Av
Concessions	One month free rent

**CONFIRMATION**

Name	Confidential
Source	ADS
Date	11/30/2023
Phone Number	+1 346 248 3906

**REMARKS**

Aspire at 610 is a 2018 built midrise wrap style multifamily property located near the 610 Loop. Unit finishes include black appliances, vinyl wood flooring in living areas with carpet in bedrooms, granite countertops, and in unit washer / dryers. Amenities include a swimming pool, fitness center, and clubhouse.

## DISCUSSION OF RENTAL ADJUSTMENTS

Adjustments for differences between the subject property and the comparables can be made quantitatively or qualitatively. Adjustments for some differences can be derived from the market and are addressed below. Other items for which dollar adjustments are more difficult to derive are addressed in the Qualitative Adjustments paragraph.

## Adjustments

The subject property and the comparables vary to some degree in terms of physical characteristics, project amenities, unit amenities, parking, laundry, and utilities. The following grid illustrates the quantitative adjustments applied to the comparables (when necessary) in order to make the comparables similar to the subject in terms of these features.

RENT COMPARABLE ADJUSTMENT TABLE														
	\$ ADJ.	SUBJECT	COMP 1		COMP 2		COMP 3		COMP 4		COMP 5		COMP 6	
PHYSICAL PROJECT FEATURES														
Age	\$50	1	1	\$0	15	\$100	7	\$50	7	\$50	8	\$50	5	\$50
Location	-			(\$100)		(\$100)		(\$100)		(\$100)		(\$150)		\$50
Physical Subtotal Adjustment				(\$100)		\$0		(\$50)		(\$50)		(\$100)		\$100
PROJECT AMENITIES														
Swimming Pool	\$20	Yes	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0
Fitness Center	\$20	Yes	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0
Clubhouse	\$10	Yes	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0
Project Amenities Subtotal Adjustment				\$0		\$0		\$0		\$0		\$0		\$0
UNIT AMENITIES														
Premium Appliances	\$40	Yes	Yes	(\$20)	Yes	\$20	Yes	\$0	Yes	\$0	Yes	\$0	No	\$40
Premium Countertops	\$25	Yes	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0
Premium Flooring	\$25	Yes	Yes	(\$10)	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0
Unit Amenities Subtotal Adjustment				(\$30)		\$20		\$0		\$0		\$0		\$40
TOTAL ADJUSTMENTS				(\$130)		\$20		(\$50)		(\$50)		(\$100)		\$140

The subject property represents new construction whereas five of the six comparables are at least 5 years old. Therefore, we have applied an upward adjustment for age. All of the properties have class A unit finishes and amenities. However, Revl Med Center has premium stainless-steel appliances and wall to wall vinyl whereas the subject has carpet in bedrooms and closets. Therefore, we have applied partial adjustments for these categories. Additionally, comparable 2 has stainless steel appliances but they are older and of lower quality compared to the subject. Therefore, we have applied a partial upward adjustment. Finally, Comparable 6, Aspire 610, has black appliances rather than stainless steel and has therefore been adjusted upward.

According to the property manager the subject's two main competitors are Revl Med Center and Sync Med Center. These properties, along with District 28 are considered the most comparable to the subject based on their access to the Medical Center and overall quality. 5755 Herman Park and the Adenine apartments are the next most comparable properties as they are both new construction with similar class A finishes and amenities. Aspire 610 is the least comparable due to being older and further away from the Medical Center and the Houston Urban Core.

In order to analyze the subject's location relative to the rent comparables we have presented each property's walk score from walkscore.com. This score ranks a location based on its walkable access to restaurants and bars, grocery stores, shopping centers, errands, parks, schools, and culture / entertainment venues. We have also included each property's transit and bike score.



## WALK SCORE - RENT COMPARABLES

Property	Address	Walk Score	Transit Score	Bike Score
Revl Med Center	7892 Knight Road	52	57	82
SYNC Med Center	2950 Old Spanish Trail	46	43	55
District 28	2828 Old Spanish Trail	46	43	55
5755 Hermann Park	5755 Hermann Park	72	54	84
Adenine Apartments	1755 Wyndale Street	29	68	79
Aspire at 610	8900 Lakes at 610 Drive	43	40	43
Virtuo Med Center Apartments	7110 Ardmore Street	39	41	57

Walkscore.com gives the following descriptions of each walk score rating:

<b>90-100</b>	<b>Walker's Paradise</b> Daily errands do not require a car
<b>70-89</b>	<b>Very Walkable</b> Most errands can be accomplished on foot
<b>50-69</b>	<b>Somewhat Walkable</b> Some errands can be accomplished on foot
<b>25-49</b>	<b>Car-Dependent</b> Most errands require a car
<b>0-24</b>	<b>Car-Dependent</b> Almost all errands require a car

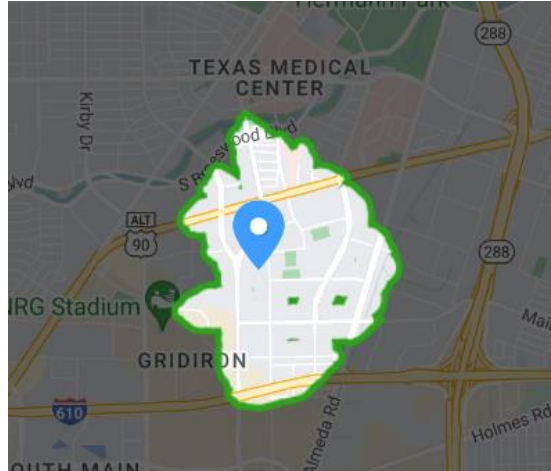
In addition to each property's walk score, we have also considered each property's walkable access to the Texas Medical Center which as discussed previously is a major employment center for high paying medical jobs which creates significant demand for class A properties in the submarket. For the purpose of this analysis we will use the intersection of Bertner Avenue and Holcomb Blvd as the center of the TMC to compare distances from each property.

In order to quantify our adjustments we have included the following published parking rates for garages in the Texas Medical Center. While all of the comparables are within a reasonable driving distance of the Texas Medical Center, the ability to walk saves approximately \$175 to \$300 per month in parking expense.

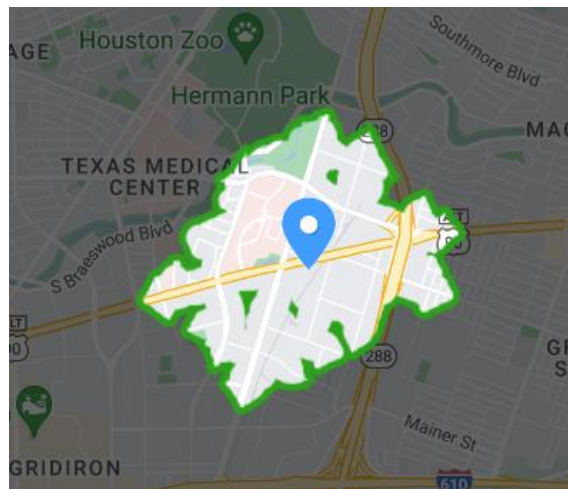
<b>TMC Multiple Facility Access</b>	
Garages 1, 2, 4, 6, 7, 10, The Commons, LAV.....	\$350
<b>TMC Campus Garages</b>	
Garages 1, 2, 2GL, 7.....	\$239
Garages 4, 5, 10, 17.....	\$204
Garage 8.....	\$117
Garage 1 Basement.....	\$308
The Commons (Garage 15).....	\$291
Garage 18.....	\$146
<b>TMC Campus Surface Parking Lots</b>	
A, GG, P1, P3, RR.....	\$175
AM, AU, M, SM.....	\$117
Leland Anderson Campus (LAV Lot).....	\$117
<b>John P. McGovern Campus</b>	
(2450 Holcombe Surface Lot).....	\$146

**Virtuo Med Center** - The subject is located in an industrial area with minimal walkable access to any of the major medical buildings and is 8 minutes by car and 50 minutes by foot to our designated center point. The subject suffers from being separated from the rest of the area by railroad tracks with no nearby vehicle crossings. According to market participants that we spoke with, including ones who previously listed the property, the subject's location and lack of access was the primary driver of its inability to achieve stabilized occupancy.

**Revl Med Center** – is located on the southern end of the Texas Medical Center with walkable access to some medical developments but is 6 minutes by car and 31 minutes by foot to the heart of the Medical Center. In addition to stronger access to the Medical Center, Revl has a higher walk score with better access to retail as well and being adjacent to NRG park, home of Houston Texas and the Houston Rodeo. Given these factors we have applied a downward \$100 adjustment. We have included the following map showing the property's 20-minute walkable distance:

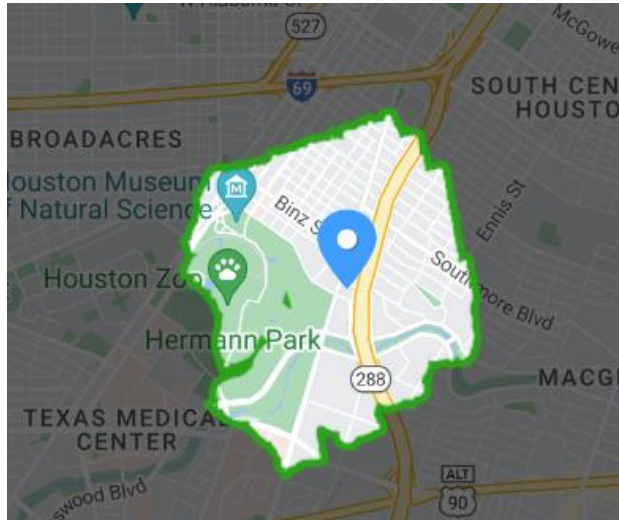


**Sync Med Center** – is located along Old Spanish Trail southeast of the Medical Center giving it strong visibility from a major road. It is six minute by car and 34 minutes by foot to the center point location, however it is directly across the street from the VA hospital. While Sync is only 0.4 miles from the subject, it is on the opposite side of the above-mentioned railroad track which eliminates a major access barrier. The property also has a higher walk score. Given these factors we have applied a downward \$100 adjustment.

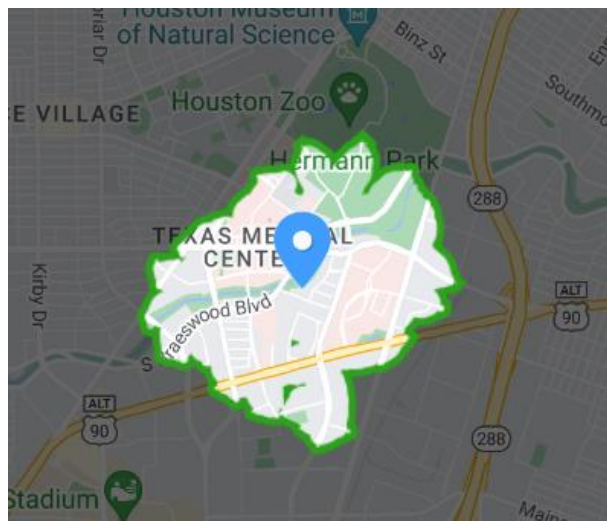


**District 28** – is located adjacent to Sync Med Center with identical visibility and access. Therefore, we have applied the same downward \$100 adjustment.

**5755 Herman Park** - is located northeast of the Texas Medical Center and is 6 minutes by car and 43 minutes by foot to the center point. While it is further from the TMC, it is walkable to Herman Park which includes a public golf course and the Houston Zoo. The property is located near the Museum District with walkable access to many of Houston's major museums as well as better access to Downtown Houston. Given these factors we have applied a downward \$100 adjustment.

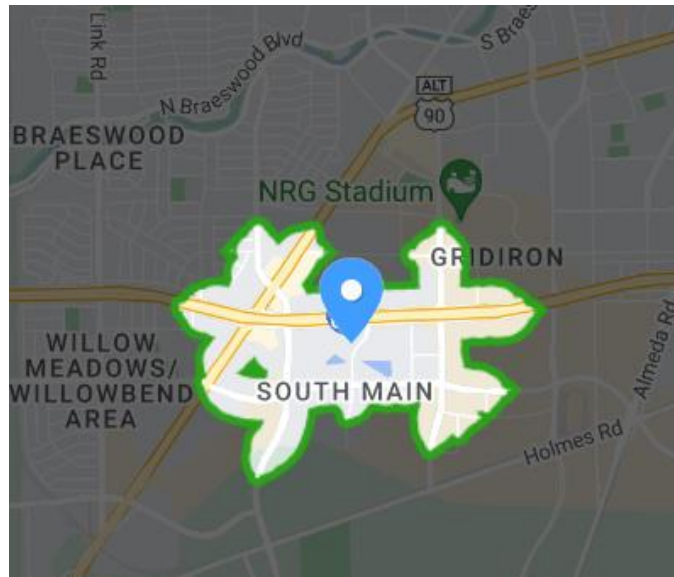


**Adenine Apartments** – is located near the middle of the Texas Medical Center and is 3 minutes by car and 13 minutes on foot to the center point. As a result, residents can walk to many of the major employers without the need to pay for parking. Given its location in the middle of the TMC, the property's walk score suffers from a lack of other walkable destinations such as restaurants and grocery stores. Given these factors we have applied a downward \$150 adjustment.





**Aspire 610** - is located further from the Texas Medical Center and is outside of the 610 Loop. It is 13 minutes by car and 71 minutes on foot to the center point. The property has a similar walk score to the subject benefiting from retail sites along 610. Given these factors we have applied an upward \$50 location adjustment.



#### RENT COMPARABLE ADJUSTMENT GRID

The following tables adjust the comparables to the subject property quantitatively.

## RENT COMPARABLE ADJUSTMENT SUMMARY

COMPARABLE 1	UNITS	NO.	AVG SIZE	EFF. RENT \$/UNIT	ADJUSTMENTS						TOTAL	ADJUSTED	
					PHYSICAL	PROJECT	UNIT	LAUNDRY	PARKING	UTILITIES	ADJ	UNIT	\$/SF
STUDIO / 1 BA	4	444		\$1,198	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$1,068	\$2.41
STUDIO / 1 BA	20	448		\$1,244	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$1,114	\$2.49
STUDIO / 1 BA	28	464		\$1,328	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$1,198	\$2.58
1 BD / 1 BA	4	600		\$1,444	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$1,314	\$2.19
1 BD / 1 BA	49	608		\$1,432	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$1,302	\$2.14
1 BD / 1 BA	5	630		\$1,418	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$1,288	\$2.04
1 BD / 1 BA	70	633		\$1,483	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$1,353	\$2.14
1 BD / 1 BA	25	640		\$1,440	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$1,310	\$2.05
1 BD / 1 BA	10	735		\$1,674	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$1,544	\$2.10
1 BD / 1 BA	4	797		\$1,787	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$1,657	\$2.08
2 BD / 2 BA	1	1,078		\$2,125	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$1,995	\$1.85
2 BD / 2 BA	20	1,088		\$2,090	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$1,960	\$1.80
2 BD / 2 BA	4	1,124		\$2,272	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$2,142	\$1.91
2 BD / 2 BA	4	1,135		\$2,315	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$2,185	\$1.93
2 BD / 2 BA	4	1,163		\$2,280	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$2,150	\$1.85
2 BD / 2 BA	4	1,209		\$2,355	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$2,225	\$1.84
3 BD / 3 BA	10	1,322		\$3,160	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$3,030	\$2.29
3 BD / 3 BA	5	1,350		\$3,030	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$2,900	\$2.15
3 BD / 3 BA	5	1,368		\$3,423	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$3,293	\$2.42
3 BD / 3 BA	5	1,396		\$3,146	(\$100)	\$0	(\$30)	\$0	\$0	\$0	(\$130)	\$3,016	\$2.16
COMPARABLE 2													
1 BD / 1 BA	4	646		\$1,278	\$0	\$0	\$20	\$0	\$0	\$0	\$20	\$1,298	\$2.01
1 BD / 1 BA	12	667		\$1,135	\$0	\$0	\$20	\$0	\$0	\$0	\$20	\$1,155	\$1.73
1 BD / 1 BA	48	680		\$1,292	\$0	\$0	\$20	\$0	\$0	\$0	\$20	\$1,312	\$1.93
1 BD / 1 BA	36	713		\$1,285	\$0	\$0	\$20	\$0	\$0	\$0	\$20	\$1,305	\$1.83
1 BD / 1 BA	35	714		\$1,241	\$0	\$0	\$20	\$0	\$0	\$0	\$20	\$1,261	\$1.77
1 BD / 1 BA	16	733		\$1,308	\$0	\$0	\$20	\$0	\$0	\$0	\$20	\$1,328	\$1.81
1 BD / 1 BA	4	789		\$1,230	\$0	\$0	\$20	\$0	\$0	\$0	\$20	\$1,250	\$1.58
1 BD / 1 BA	1	796		\$1,300	\$0	\$0	\$20	\$0	\$0	\$0	\$20	\$1,320	\$1.66
1 BD / 1 BA	12	811		\$1,405	\$0	\$0	\$20	\$0	\$0	\$0	\$20	\$1,425	\$1.76
1 BD / 1 BA	3	865		\$1,330	\$0	\$0	\$20	\$0	\$0	\$0	\$20	\$1,350	\$1.56
1 BD / 1 BA	4	1,027		\$1,645	\$0	\$0	\$20	\$0	\$0	\$0	\$20	\$1,665	\$1.62
1 BD / 1 BA	6	1,061		\$1,449	\$0	\$0	\$20	\$0	\$0	\$0	\$20	\$1,469	\$1.38
1 BD / 1 BA	8	1,102		\$1,433	\$0	\$0	\$20	\$0	\$0	\$0	\$20	\$1,453	\$1.32
2 BD / 2 BA	46	1,146		\$1,550	\$0	\$0	\$20	\$0	\$0	\$0	\$20	\$1,570	\$1.37
2 BD / 2 BA	27	1,173		\$1,731	\$0	\$0	\$20	\$0	\$0	\$0	\$20	\$1,751	\$1.49
2 BD / 2 BA	3	1,191		\$1,645	\$0	\$0	\$20	\$0	\$0	\$0	\$20	\$1,665	\$1.40
2 BD / 2 BA	30	1,234		\$1,677	\$0	\$0	\$20	\$0	\$0	\$0	\$20	\$1,697	\$1.38
2 BD / 2 BA	3	1,295		\$2,005	\$0	\$0	\$20	\$0	\$0	\$0	\$20	\$2,025	\$1.56
3 BD / 2 BA	6	1,412		\$2,057	\$0	\$0	\$20	\$0	\$0	\$0	\$20	\$2,077	\$1.47
COMPARABLE 3													
1 BD / 1 BA	66	633		\$1,525	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,475	\$2.33
1 BD / 1 BA	36	672		\$1,485	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,435	\$2.14
1 BD / 1 BA	18	678		\$1,398	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,348	\$1.99
1 BD / 1 BA	8	683		\$1,360	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,310	\$1.92
1 BD / 1 BA	8	700		\$1,475	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,425	\$2.04
1 BD / 1 BA	2	707		\$1,302	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,252	\$1.77
1 BD / 1 BA	4	709		\$1,353	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,303	\$1.84
1 BD / 1 BA	63	720		\$1,529	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,479	\$2.05
1 BD / 1 BA	3	782		\$1,546	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,496	\$1.91
1 BD / 1 BA	28	815		\$1,620	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,570	\$1.93
2 BD / 1 BA	1	917		\$1,550	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,500	\$1.64
2 BD / 2 BA	19	955		\$2,028	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,978	\$2.07
2 BD / 2 BA	24	1,091		\$2,037	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,987	\$1.82
2 BD / 2 BA	12	1,180		\$2,308	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$2,258	\$1.91
2 BD / 2 BA	4	1,195		\$2,376	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$2,326	\$1.95
2 BD / 2 BA	3	1,309		\$2,450	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$2,400	\$1.83
COMPARABLE 4													
STUDIO / 1 BA	6	508		\$1,400	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,350	\$2.66
STUDIO / 1 BA	18	570		\$1,212	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,162	\$2.04
STUDIO / 1 BA	12	592		\$1,460	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,410	\$2.38
STUDIO / 1 BA	12	721		\$1,770	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,720	\$2.39
1 BD / 1 BA	24	619		\$1,460	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,410	\$2.28
1 BD / 1 BA	1	676		\$1,395	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,345	\$1.99
1 BD / 1 BA	11	687		\$1,613	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,563	\$2.28
1 BD / 1 BA	12	772		\$1,972	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,922	\$2.49
1 BD / 1 BA	2	825		\$2,042	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,992	\$2.41
1 BD / 1 BA	2	882		\$1,650	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,600	\$1.81
1 BD / 1 BA	4	917		\$1,770	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,720	\$1.88
1 BD / 1 BA	1	974		\$1,495	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,445	\$1.48
1 BD / 1 BA	1	765		\$1,346	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,296	\$1.69
1 BD / 1 BA	12	825		\$1,415	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,365	\$1.65
1 BD / 1 BA	1	836		\$1,470	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,420	\$1.70
1 BD / 1 BA	12	857		\$1,598	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,548	\$1.81
1 BD / 1 BA	2	889		\$1,675	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,625	\$1.83
1 BD / 1 BA	4	929		\$1,820	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,770	\$1.91
1 BD / 1 BA	1	934		\$1,525	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,475	\$1.58
1 BD / 1 BA	1	947		\$1,560	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,510	\$1.59
1 BD / 1 BA	14	958		\$1,800	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,750	\$1.83
1 BD / 1 BA	4	974		\$1,680	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,630	\$1.67
1 BD / 1 BA	5	1,047		\$1,950	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,900	\$1.81
1 BD / 1 BA	4	787		\$1,800	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,750	\$2.22
2 BD / 2 BA	12	1,148		\$1,972	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,922	\$1.67
2 BD / 2 BA	1	1,221		\$1,745	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$1,695	\$1.39
2 BD / 2 BA	4	1,251		\$2,230	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$2,180	\$1.74
2 BD / 2 BA	5	1,332		\$2,415	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$2,365	\$1.78
2 BD / 2 BA	5	1,676		\$2,610	(\$50)	\$0	\$0	\$0	\$0	\$0	(\$50)	\$2,560	\$1.53
COMPARABLE 5													
STUDIO / 1 BA	36	553		\$1,359	(\$100)	\$0	\$0	\$0	\$0	\$0	(\$100)	\$1,259	\$2.28
1 BD / 1 BA	12	687		\$1,542	(\$100)	\$0	\$0	\$0	\$0	\$0	(\$100)	\$1,442	\$2.10
1 BD / 1 BA	6	729		\$1,566	(\$100)	\$0	\$0	\$0	\$0	\$0	(\$100)	\$1,466	\$2.01
1 BD / 1 BA	18	779		\$1,706	(\$100)	\$0	\$0	\$0	\$0	\$0	(\$100)	\$1,606	\$2.06
1 BD / 1 BA	61	793		\$1,615	(\$100)	\$0	\$0	\$0	\$0	\$0	(\$100)	\$1,515	\$1.91
1 BD / 1 BA	6	829		\$1,834	(\$100)	\$0	\$0	\$0	\$0	\$0	(\$100)	\$1,734	\$2.09
1 BD / 1 BA	6	836		\$1,686	(\$100)	\$0	\$0	\$0	\$0	\$0	(\$100)	\$1,586	\$1.90
1 BD / 1 BA	6	878		\$1,879	(\$100)	\$0	\$0	\$0	\$0	\$0	(\$100)	\$1,779	\$2.03
1 BD / 1 BA	28	901		\$1,716	(\$100)	\$0	\$0	\$0	\$0	\$0	(\$100)	\$1,616	\$1.79
1 BD / 1 BA	36	916		\$1,649	(\$100)	\$0	\$0	\$0	\$0	\$0	(\$100)	\$1,549	\$1.69
1 BD / 1 BA	6	929		\$1,866	(\$100)	\$0	\$0	\$0	\$0	\$0	(\$100)	\$1,766	\$1.90
1 BD / 1 BA	6	998		\$1,977	(\$100)	\$0	\$0	\$0	\$0	\$0	(\$100)	\$1,877	\$1.88
1 BD / 1 BA	5	1,017		\$2,139	(\$100)	\$0	\$0	\$0	\$0	\$0	(\$100)	\$2,039	\$2.00
2 BD / 2 BA	11	1,127		\$2,430	(\$100)	\$0	\$0	\$0	\$0	\$0	(\$100)	\$2,330	\$2.07
2 BD / 2 BA	6	1,169		\$2,619	(\$100)	\$0	\$0	\$0	\$0	\$0	(\$100)	\$2,519	\$2.15
2 BD / 2 BA	11	1,200		\$2,556	(\$100)	\$0	\$0	\$0	\$0	\$0	(\$100)	\$2,456	\$2.05
2 BD / 2 BA	5	1,385		\$2,682	(\$100)	\$0	\$0	\$0	\$0	\$0	(\$100)	\$2,582	\$1.86
COMPARABLE 6													
1 BD / 1 BA	56	697		\$1,310	\$100	\$0	\$40	\$0	\$0	\$0	\$140	\$1,450	\$2.08
1 BD / 1 BA	68	747		\$1,344	\$100	\$0	\$40	\$0	\$0	\$0	\$140	\$1,484	\$1.99
1 BD / 1 BA	3	783		\$1,475	\$100	\$0	\$40	\$0	\$0	\$0	\$140	\$1,615	\$2.06
1 BD / 1 BA	20	796		\$1,463</									

**Investor Income Expectation Comment**

Based on discussions with numerous brokers throughout the subject's region, investors are placing heavy emphasis on actual, "in place" rents, as well as recent leases at this time. Thus, this rental rate analysis will compare the subject's actual, asking, and recent lease rents to market comparables.

**MARKET RENT ANALYSIS**

The following tables summarize the various indicators of market rent, and provide the market rent analysis and conclusions for the subject property.

STUDIO UNIT CONCLUSION										
COMP	UNIT TYPE	UNIT SIZE	RENT/MONTH		ADJUSTED RENT/MONT		NET			
			\$/UNIT	\$/SF	\$/UNIT	\$/SF	ADJ %			
1	STUDIO / 1 BA	444	\$1,198	\$2.70	\$1,068	\$2.41	-10.9%			
1	STUDIO / 1 BA	448	\$1,244	\$2.78	\$1,114	\$2.49	-10.5%			
4	STUDIO / 1 BA	570	\$1,212	\$2.13	\$1,162	\$2.04	-4.1%			
1	STUDIO / 1 BA	464	\$1,328	\$2.86	\$1,198	\$2.58	-9.8%			
5	STUDIO / 1 BA	553	\$1,359	\$2.46	\$1,259	\$2.28	-7.4%			
4	STUDIO / 1 BA	508	\$1,400	\$2.76	\$1,350	\$2.66	-3.6%			
4	STUDIO / 1 BA	592	\$1,460	\$2.47	\$1,410	\$2.38	-3.4%			
4	STUDIO / 1 BA	721	\$1,770	\$2.45	\$1,720	\$2.39	-2.8%			
LOW		444	\$1,198	\$2.13	\$1,068	\$2.04	-10.9%			
HIGH		721	\$1,770	\$2.86	\$1,720	\$2.66	-2.8%			
AVERAGE		538	\$1,371	\$2.57	\$1,285	\$2.40	-6.5%			
MEDIAN		531	\$1,344	\$2.58	\$1,229	\$2.40	-5.7%			
SUBJECT ANALYSIS & CONCLUSIONS										
UNITS	VAC	UNIT TYPE	SIZE	ASKING RENT		RECENTLY LEASED			CONCLUDED RENT	
				\$/UNIT	\$/SF	UNITS	\$/UNIT	\$/SF	\$/UNIT	\$/SF
17	11	STUDIO / 1 BA	509	\$997	\$1.96	0	-		\$1,150	\$2.26
50	12	STUDIO / 1 BA	537	\$1,082	\$2.01	0	-		\$1,200	\$2.23

**Analysis and Conclusions**

The rent comparables range in size from 444 SF to 721 SF, with an average unit size of 538 SF. The rent comparables' unadjusted rent per month ranges from \$1,198 to \$1,770, with an average rent of \$1,371. After applying adjustments to the comparables for differences in amenities, laundry, parking and utilities, the rent comparables' rent per month ranges from \$1,068 to \$1,720, with an average rent of \$1,285. Given the lack of data on the subject's in place rents, we have given primary consideration to the rent comparables in our determination of market rent for each unit type.

1 BEDROOM UNIT CONCLUSION									
COMP	UNIT TYPE	UNIT SIZE	RENT/MONTH		ADJUSTED RENT/MONT		NET ADJ %		
			\$/UNIT	\$/SF	\$/UNIT	\$/SF			
2	1 BD / 1 BA	667	\$1,135	\$1.70	\$1,155	\$1.73	1.8%		
2	1 BD / 1 BA	789	\$1,230	\$1.56	\$1,250	\$1.58	1.6%		
3	1 BD / 1 BA	707	\$1,302	\$1.84	\$1,252	\$1.77	-3.8%		
2	1 BD / 1 BA	714	\$1,241	\$1.74	\$1,261	\$1.77	1.6%		
1	1 BD / 1 BA	630	\$1,418	\$2.25	\$1,288	\$2.04	-9.2%		
4	1 BD / 1 BA	765	\$1,346	\$1.76	\$1,296	\$1.69	-3.7%		
2	1 BD / 1 BA	646	\$1,278	\$1.98	\$1,298	\$2.01	1.6%		
1	1 BD / 1 BA	608	\$1,432	\$2.36	\$1,302	\$2.14	-9.1%		
3	1 BD / 1 BA	709	\$1,353	\$1.91	\$1,303	\$1.84	-3.7%		
2	1 BD / 1 BA	713	\$1,285	\$1.80	\$1,305	\$1.83	1.6%		
1	1 BD / 1 BA	640	\$1,440	\$2.25	\$1,310	\$2.05	-9.0%		
3	1 BD / 1 BA	683	\$1,360	\$1.99	\$1,310	\$1.92	-3.7%		
2	1 BD / 1 BA	680	\$1,292	\$1.90	\$1,312	\$1.93	1.5%		
1	1 BD / 1 BA	600	\$1,444	\$2.41	\$1,314	\$2.19	-9.0%		
2	1 BD / 1 BA	796	\$1,300	\$1.63	\$1,320	\$1.66	1.5%		
2	1 BD / 1 BA	733	\$1,308	\$1.78	\$1,328	\$1.81	1.5%		
4	1 BD / 1 BA	676	\$1,395	\$2.06	\$1,345	\$1.99	-3.6%		
3	1 BD / 1 BA	678	\$1,398	\$2.06	\$1,348	\$1.99	-3.6%		
2	1 BD / 1 BA	865	\$1,330	\$1.54	\$1,350	\$1.56	1.5%		
1	1 BD / 1 BA	633	\$1,483	\$2.34	\$1,353	\$2.14	-8.8%		
4	1 BD / 1 BA	825	\$1,415	\$1.72	\$1,365	\$1.65	-3.5%		
4	1 BD / 1 BA	619	\$1,460	\$2.36	\$1,410	\$2.28	-3.4%		
4	1 BD / 1 BA	836	\$1,470	\$1.76	\$1,420	\$1.70	-3.4%		
3	1 BD / 1 BA	700	\$1,475	\$2.11	\$1,425	\$2.04	-3.4%		
2	1 BD / 1 BA	811	\$1,405	\$1.73	\$1,425	\$1.76	1.4%		
3	1 BD / 1 BA	672	\$1,485	\$2.21	\$1,435	\$2.14	-3.4%		
5	1 BD / 1 BA	687	\$1,542	\$2.24	\$1,442	\$2.10	-6.5%		
4	1 BD / 1 BA	974	\$1,495	\$1.53	\$1,445	\$1.48	-3.3%		
6	1 BD / 1 BA	697	\$1,310	\$1.88	\$1,450	\$2.08	10.7%		
2	1 BD / 1 BA	1,102	\$1,433	\$1.30	\$1,453	\$1.32	1.4%		
5	1 BD / 1 BA	729	\$1,566	\$2.15	\$1,466	\$2.01	-6.4%		
2	1 BD / 1 BA	1,061	\$1,449	\$1.37	\$1,469	\$1.38	1.4%		
3	1 BD / 1 BA	633	\$1,525	\$2.41	\$1,475	\$2.33	-3.3%		
4	1 BD / 1 BA	934	\$1,525	\$1.63	\$1,475	\$1.58	-3.3%		
3	1 BD / 1 BA	720	\$1,529	\$2.12	\$1,479	\$2.05	-3.3%		
6	1 BD / 1 BA	747	\$1,344	\$1.80	\$1,484	\$1.99	10.4%		
3	1 BD / 1 BA	782	\$1,546	\$1.98	\$1,496	\$1.91	-3.2%		
4	1 BD / 1 BA	947	\$1,560	\$1.65	\$1,510	\$1.59	-3.2%		
5	1 BD / 1 BA	793	\$1,615	\$2.04	\$1,515	\$1.91	-6.2%		
1	1 BD / 1 BA	735	\$1,674	\$2.28	\$1,544	\$2.10	-7.8%		
4	1 BD / 1 BA	857	\$1,598	\$1.86	\$1,548	\$1.81	-3.1%		
5	1 BD / 1 BA	916	\$1,649	\$1.80	\$1,549	\$1.69	-6.1%		
4	1 BD / 1 BA	687	\$1,613	\$2.35	\$1,563	\$2.28	-3.1%		
3	1 BD / 1 BA	815	\$1,620	\$1.99	\$1,570	\$1.93	-3.1%		
5	1 BD / 1 BA	836	\$1,686	\$2.02	\$1,586	\$1.90	-5.9%		
4	1 BD / 1 BA	882	\$1,650	\$1.87	\$1,600	\$1.81	-3.0%		
6	1 BD / 1 BA	796	\$1,463	\$1.84	\$1,603	\$2.01	9.6%		
5	1 BD / 1 BA	779	\$1,706	\$2.19	\$1,606	\$2.06	-5.9%		
6	1 BD / 1 BA	783	\$1,475	\$1.88	\$1,615	\$2.06	9.5%		
5	1 BD / 1 BA	901	\$1,716	\$1.90	\$1,616	\$1.79	-5.8%		
4	1 BD / 1 BA	889	\$1,675	\$1.88	\$1,625	\$1.83	-3.0%		
4	1 BD / 1 BA	974	\$1,680	\$1.72	\$1,630	\$1.67	-3.0%		
6	1 BD / 1 BA	873	\$1,512	\$1.73	\$1,652	\$1.89	9.3%		
1	1 BD / 1 BA	797	\$1,787	\$2.24	\$1,657	\$2.08	-7.3%		
2	1 BD / 1 BA	1,027	\$1,645	\$1.60	\$1,665	\$1.62	1.2%		
6	1 BD / 1 BA	861	\$1,548	\$1.80	\$1,688	\$1.96	9.0%		
4	1 BD / 1 BA	917	\$1,770	\$1.93	\$1,720	\$1.88	-2.8%		
5	1 BD / 1 BA	829	\$1,834	\$2.21	\$1,734	\$2.09	-5.5%		
4	1 BD / 1 BA	787	\$1,800	\$2.29	\$1,750	\$2.22	-2.8%		
4	1 BD / 1 BA	958	\$1,800	\$1.88	\$1,750	\$1.83	-2.8%		
5	1 BD / 1 BA	929	\$1,866	\$2.01	\$1,766	\$1.90	-5.4%		
4	1 BD / 1 BA	929	\$1,820	\$1.96	\$1,770	\$1.91	-2.7%		
5	1 BD / 1 BA	878	\$1,879	\$2.14	\$1,779	\$2.03	-5.3%		
4	1 BD / 1 BA	1,047	\$1,950	\$1.86	\$1,900	\$1.81	-2.6%		
4	1 BD / 1 BA	772	\$1,972	\$2.55	\$1,922	\$2.49	-2.5%		
4	1 BD / 1 BA	825	\$2,042	\$2.48	\$1,992	\$2.41	-2.4%		
5	1 BD / 1 BA	1,017	\$2,139	\$2.10	\$2,039	\$2.00	-4.7%		
5	1 BD / 11 BA	998	\$1,977	\$1.98	\$1,877	\$1.88	-5.1%		
LOW		600	\$1,135	\$1.30	\$1,155	\$1.32	-9.2%		
HIGH		1,102	\$2,139	\$2.55	\$2,039	\$2.49	10.7%		
AVERAGE		801	\$1,551	\$1.96	\$1,514	\$1.91	-2.2%		
MEDIAN		791	\$1,519	\$1.92	\$1,477	\$1.91	-3.3%		
SUBJECT ANALYSIS & CONCLUSIONS									
UNITS	VAC	UNIT TYPE	SIZE	ASKING RENT		RECENTLY LEASED		CONCLUDED RENT	
				\$/UNIT	\$/SF	UNITS	\$/UNIT	\$/SF	\$/UNIT
3	1	1 BD / 1 BA	555	\$1,251	\$2.25	0	-	\$1,275	\$2.30
5	0	1 BD / 1 BA	594	\$1,470	\$2.47	0	-	\$1,325	\$2.23
53	22	1 BD / 1 BA	627	\$1,453	\$2.32	0	-	\$1,375	\$2.19
18	4	1 BD / 1 BA	669	\$1,528	\$2.28	0	-	\$1,425	\$2.13
66	9	1 BD / 1 BA	687	\$1,585	\$2.31	0	-	\$1,450	\$2.11
8	1	1 BD / 1 BA	804	\$1,683	\$2.09	0	-	\$1,650	\$2.05
30	4	1 BD / 1 BA	828	\$1,682	\$2.03	0	-	\$1,700	\$2.05



Analysis and Conclusions

The rent comparables range in size from 600 SF to 1,102 SF, with an average unit size of 801 SF. The rent comparables' unadjusted rent per month ranges from \$1,135 to \$2,139, with an average rent of \$1,551. After applying adjustments to the comparables for differences in amenities, laundry, parking and utilities, the rent comparables' rent per month ranges from \$1,155 to \$2,039, with an average rent of \$1,514. Given the lack of data on the subject's in place rents, we have given primary consideration to the rent comparables in our determination of market rent for each unit type.

**2 BEDROOM UNIT CONCLUSION**

COMP	UNIT TYPE	UNIT SIZE	RENT/MONTH		ADJUSTED RENT/MONT		NET ADJ %
			\$/UNIT	\$/SF	\$/UNIT	\$/SF	
3	2 BD / 1 BA	917	\$1,550	\$1.69	\$1,500	\$1.64	-3.2%
2	2 BD / 2 BA	1,146	\$1,550	\$1.35	\$1,570	\$1.37	1.3%
6	2 BD / 2 BA	1,179	\$1,482	\$1.26	\$1,622	\$1.38	9.4%
2	2 BD / 2 BA	1,191	\$1,645	\$1.38	\$1,665	\$1.40	1.2%
4	2 BD / 2 BA	1,221	\$1,745	\$1.43	\$1,695	\$1.39	-2.9%
2	2 BD / 2 BA	1,234	\$1,677	\$1.36	\$1,697	\$1.38	1.2%
6	2 BD / 2 BA	1,215	\$1,560	\$1.28	\$1,700	\$1.40	9.0%
2	2 BD / 2 BA	1,173	\$1,731	\$1.48	\$1,751	\$1.49	1.2%
6	2 BD / 2 BA	1,349	\$1,741	\$1.29	\$1,881	\$1.39	8.0%
6	2 BD / 2 BA	1,447	\$1,765	\$1.22	\$1,905	\$1.32	7.9%
4	2 BD / 2 BA	1,148	\$1,972	\$1.72	\$1,922	\$1.67	-2.5%
1	2 BD / 2 BA	1,088	\$2,090	\$1.92	\$1,960	\$1.80	-6.2%
3	2 BD / 2 BA	955	\$2,028	\$2.12	\$1,978	\$2.07	-2.5%
3	2 BD / 2 BA	1,091	\$2,037	\$1.87	\$1,987	\$1.82	-2.5%
6	2 BD / 2 BA	1,154	\$1,850	\$1.60	\$1,990	\$1.72	7.6%
1	2 BD / 2 BA	1,078	\$2,125	\$1.97	\$1,995	\$1.85	-6.1%
2	2 BD / 2 BA	1,295	\$2,005	\$1.55	\$2,025	\$1.56	1.0%
1	2 BD / 2 BA	1,124	\$2,272	\$2.02	\$2,142	\$1.91	-5.7%
1	2 BD / 2 BA	1,163	\$2,280	\$1.96	\$2,150	\$1.85	-5.7%
4	2 BD / 2 BA	1,251	\$2,230	\$1.78	\$2,180	\$1.74	-2.2%
1	2 BD / 2 BA	1,135	\$2,315	\$2.04	\$2,185	\$1.93	-5.6%
1	2 BD / 2 BA	1,209	\$2,355	\$1.95	\$2,225	\$1.84	-5.5%
3	2 BD / 2 BA	1,180	\$2,308	\$1.96	\$2,258	\$1.91	-2.2%
3	2 BD / 2 BA	1,195	\$2,376	\$1.99	\$2,326	\$1.95	-2.1%
5	2 BD / 2 BA	1,127	\$2,430	\$2.16	\$2,330	\$2.07	-4.1%
4	2 BD / 2 BA	1,332	\$2,415	\$1.81	\$2,365	\$1.78	-2.1%
3	2 BD / 2 BA	1,309	\$2,450	\$1.87	\$2,400	\$1.83	-2.0%
5	2 BD / 2 BA	1,200	\$2,556	\$2.13	\$2,456	\$2.05	-3.9%
5	2 BD / 2 BA	1,169	\$2,619	\$2.24	\$2,519	\$2.15	-3.8%
4	2 BD / 2 BA	1,676	\$2,610	\$1.56	\$2,560	\$1.53	-1.9%
5	2 BD / 2 BA	1,385	\$2,682	\$1.94	\$2,582	\$1.86	-3.7%
LOW		917	\$1,482	\$1.22	\$1,500	\$1.32	-6.2%
HIGH		1,676	\$2,682	\$2.24	\$2,582	\$2.15	9.4%
AVERAGE		1,204	\$2,079	\$1.74	\$2,049	\$1.71	-0.9%
MEDIAN		1,180	\$2,090	\$1.81	\$1,995	\$1.78	-2.2%

**SUBJECT ANALYSIS & CONCLUSIONS**

UNITS	VAC	UNIT TYPE	SIZE	ASKING RENT		RECENTLY LEASED			CONCLUDED RENT	
				\$/UNIT	\$/SF	UNITS	\$/UNIT	\$/SF	\$/UNIT	\$/SF
7	5	2 BD / 2 BA	1,042	\$1,791	\$1.72	0	-		\$1,875	\$1.80
4	0	2 BD / 2 BA	1,129	\$2,106	\$1.87	0	-		\$1,950	\$1.73
51	16	2 BD / 2 BA	1,154	\$2,035	\$1.76	0	-		\$1,975	\$1.71
14	7	2 BD / 2 BA	1,189	\$2,043	\$1.72	0	-		\$2,000	\$1.68

Analysis and Conclusions

The rent comparables range in size from 917 SF to 1,676 SF, with an average unit size of 1,204 SF. The rent comparables' unadjusted rent per month ranges from \$1,482 to \$2,682, with an average rent of \$2,079. After applying adjustments to the comparables for differences in amenities, laundry, parking and utilities, the rent comparables' rent per month ranges from \$1,500 to \$2,582, with an average rent of \$2,049. Given the lack of data on the subject's in place rents, we have given primary consideration to the rent comparables in our determination of market rent for each unit type.

### POTENTIAL RENTAL INCOME

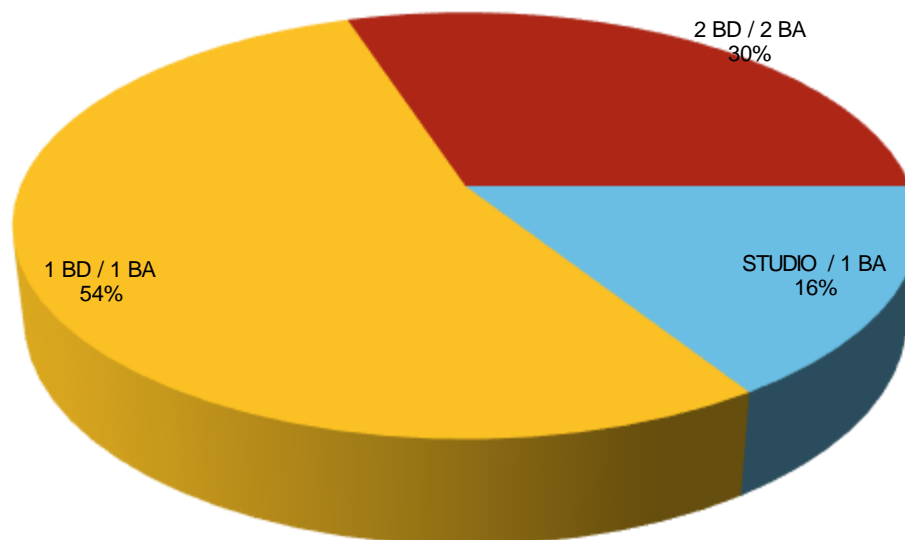
The gross rental income equals the total gross income based the rent conclusions presented previously and is summarized in the following table.

APARTMENT POTENTIAL GROSS INCOME									
UNIT TYPE	UNITS	VAC	SF	ASKING RENT			CONCLUDED MARKET RENT		
				\$/UNIT (MO.)	MONTHLY	ANNUALLY	\$/UNIT (MO.)	MONTHLY	ANNUALLY
STUDIO / 1 BA	17	11	509	\$997	\$16,955	\$203,460	\$1,150	\$19,550	\$234,600
STUDIO / 1 BA	50	12	537	\$1,082	\$54,076	\$648,912	\$1,200	\$60,000	\$720,000
1 BD / 1 BA	3	1	555	\$1,251	\$3,752	\$45,024	\$1,275	\$3,825	\$45,900
1 BD / 1 BA	5	0	594	\$1,470	\$7,350	\$88,200	\$1,325	\$6,625	\$79,500
1 BD / 1 BA	53	22	627	\$1,453	\$77,018	\$924,216	\$1,375	\$72,875	\$874,500
1 BD / 1 BA	18	4	669	\$1,528	\$27,511	\$330,132	\$1,425	\$25,650	\$307,800
1 BD / 1 BA	66	9	687	\$1,585	\$104,610	\$1,255,320	\$1,450	\$95,700	\$1,148,400
1 BD / 1 BA	8	1	804	\$1,683	\$13,460	\$161,520	\$1,650	\$13,200	\$158,400
1 BD / 1 BA	30	4	828	\$1,682	\$50,450	\$605,400	\$1,700	\$51,000	\$612,000
2 BD / 2 BA	7	5	1,042	\$1,791	\$12,540	\$150,480	\$1,875	\$13,125	\$157,500
2 BD / 2 BA	4	0	1,129	\$2,106	\$8,425	\$101,100	\$1,950	\$7,800	\$93,600
2 BD / 2 BA	51	16	1,154	\$2,035	\$103,785	\$1,245,420	\$1,975	\$100,725	\$1,208,700
2 BD / 2 BA	14	7	1,189	\$2,043	\$28,595	\$343,140	\$2,000	\$28,000	\$336,000
<b>TOTAL</b>	<b>326</b>			<b>\$1,560</b>	<b>\$508,527</b>	<b>\$6,102,324</b>	<b>\$1,528</b>	<b>\$498,075</b>	<b>\$5,976,900</b>

<sup>1</sup> Contract + Market (Vacant Units Projected At Market Level)

**TOTAL INCOME BY TYPE**

The graph below segregates the subject property's income by type.

**PERCENT OF TOTAL INCOME BY TYPE****INCOME & EXPENSE ANALYSIS**

The preceding section addressed potential risks associated with the cash flow of the subject property. Having addressed potential risks, it is appropriate to analyze historical revenues and operating expenses. Operating expenses include those items necessary to maintain the subject property and generate income at the forecasted level. Expenses associated with debt financing, depreciation, or other accounting items are disregarded. The following section provides supporting information and discusses the individual expense conclusions for the subject property.

## SUBJECT OPERATING HISTORICALS

YEAR	April 2023 T-12			COLLIERS FORECAST		
				PROFORMA		
INCOME ITEMS	TOTAL	\$/UNIT	%EGI	TOTAL	\$/UNIT	%EGI
Potential Rental Income	\$8,906,456	\$27,320	101.4%	\$5,976,900	\$18,334	99.1%
<b>TOTAL RENTAL INCOME</b>	\$8,906,456	\$27,320	101.4%	\$5,976,900	\$18,334	99.1%
<b>OTHER INCOME</b>						
Other Income	\$1,005,730	\$3,085	11.5%	\$407,500	\$1,250	6.8%
Utility Reimbursements	\$291,433	\$894	3.3%	\$244,500	\$750	4.1%
<b>TOTAL OTHER INCOME</b>	\$1,297,163	\$3,979	14.8%	\$652,000	\$2,000	10.8%
<b>POTENTIAL GROSS INCOME (PGI)</b>	\$10,203,619	\$31,299	116.2%	\$6,628,900	\$20,334	109.9%
Vacancy	(\$292,461)	(\$897)	(3.3%)	(\$478,152)	(\$1,467)	(7.9%)
Credit Loss	(\$5,553)	(\$17)	(0.1%)	(\$59,769)	(\$183)	(1.0%)
Concessions	(\$4,500)	(\$14)	(0.1%)	(\$59,769)	(\$183)	(1.0%)
Loss To Lease	(\$1,119,996)	(\$3,436)	(12.8%)	\$0	-	0.0%
<b>EFFECTIVE GROSS INCOME (EGI)</b>	\$8,781,109	\$26,936	100.0%	\$6,031,210	\$18,501	100.0%
<b>EXPENSE ITEMS</b>						
Real Estate Taxes	(\$972,721)	(\$2,984)	(11.1%)	(\$1,030,800)	(\$3,162)	(17.1%)
Additional Tax Charges	\$0	-	0.0%	(\$19,963)	(\$61)	(0.3%)
Property Insurance	(\$135,996)	(\$417)	(1.5%)	(\$407,500)	(\$1,250)	(6.8%)
Utilities	(\$13,742)	(\$42)	(0.2%)	(\$16,300)	(\$50)	(0.3%)
Electricity	(\$64,984)	(\$199)	(0.7%)	(\$81,500)	(\$250)	(1.4%)
Water & Sewer	(\$55,904)	(\$171)	(0.6%)	(\$195,600)	(\$600)	(3.2%)
Trash	\$0	-	0.0%	(\$81,500)	(\$250)	(1.4%)
Repairs & Maintenance	(\$49,701)	(\$152)	(0.6%)	(\$220,050)	(\$675)	(3.6%)
Off-Site Management	\$0	-	0.0%	(\$165,858)	(\$509)	(2.8%)
Payroll	(\$283,179)	(\$869)	(3.2%)	(\$537,900)	(\$1,650)	(8.9%)
Advertising	\$0	-	0.0%	(\$114,100)	(\$350)	(1.9%)
General & Administrative	(\$48,860)	(\$150)	(0.6%)	(\$130,400)	(\$400)	(2.2%)
Non Revenue Units	\$0	-	0.0%	(\$40,750)	(\$125)	(0.7%)
Reserves	(\$81,500)	(\$250)	(0.9%)	(\$81,500)	(\$250)	(1.4%)
<b>TOTAL EXPENSES</b>	(\$1,706,587)	(\$5,235)	(19.4%)	(\$3,123,722)	(\$9,582)	(51.8%)
<b>NET OPERATING INCOME (NOI)</b>	\$7,074,522	\$21,701	80.6%	\$2,907,488	\$8,919	48.2%



We have requested from the client the subject's recent T-12 historicals and full year 2022 historicals but have not received either. We have been provided with the Subject's T-12 historical dated April 2023 prior its sale. **We have been informed by the client that there is suspected fraud in the subject's historical data. The appraisers do not have the expertise or data to confirm or deny the validity of the financials provided. However based on our years of experience analyzing income and expenses for multifamily properties in the Houston market as well as knowledge of the subject's operations from individuals who previously listed the subject for sale, we cannot give any consideration to the financials provided.**

## OTHER INCOME

In the following section, we analyzed and made conclusions for the other income items of the subject property.

## OTHER INCOME ANALYSIS &amp; CONCLUSIONS

OTHER INCOME				ANALYSIS	
YEAR	SUBJECT			INC. COMPS	
	TOTAL	\$/UNIT	%EGI	COMP	\$/UNIT
April 2023 T-12	\$1,005,730	\$3,085	11.5%	1	\$1,351
				2	\$869
				3	\$1,298
				4	\$998
				5	\$856
				6	\$1,187

The concluded amount is all inclusive of income associated with other income. Historical operating income data was unavailable for this analysis. The comparables provided for this category report a reasonable per unit range of operating income and are reliable. The conclusion is based on the expense comparables.

CONCLUSION	\$407,500	\$1,250	6.8%	AVG	\$1,093
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UTILITY REIMBURSEMENTS				ANALYSIS	
YEAR	SUBJECT			INC. COMPS	
	TOTAL	\$/UNIT	%EGI	COMP	\$/UNIT
April 2023 T-12	\$291,433	\$894	3.3%	1	\$710
				2	\$878
				3	\$1,124
				4	\$871
				5	\$829
				6	\$597

The concluded amount is all inclusive of income associated with utility reimbursements. Historical operating income data was unavailable for this analysis. The comparables provided for this category report a reasonable per unit range of operating income and are reliable. The conclusion is based on the historical income information and represents slightly less than 90% of our concluded water, sewer, and trash expense projections

CONCLUSION	\$244,500	\$750	4.1%	AVG	\$835
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## Vacancy

The following table summarizes the results of a vacancy survey of directly competing properties to the subject that was confirmed during development of this assignment.

VACANCY SURVEY AS OF NOVEMBER 2023			
PROJECT	UNITS	VACANT UNITS	VACANCY
Revl Med Center	281	22	7.8%
SYNC Med Center	304	25	8.2%
District 28	299	27	9.0%
5755 Hermann Park	193	14	7.3%
Adenine Apartments	265	11	4.2%
Aspire at 610	280	34	12.1%
<b>TOTAL/AVERAGE</b>	<b>1,622</b>	<b>133</b>	<b>8.2%</b>

Source: Colliers International Valuation & Advisory Services

We requested the subject current occupancy as well as historical occupancy from both the property manager and the client but have not received either. We assume that the subject's current occupancy is 70%. Please see our extraordinary assumption. Based on conversations with brokers who listed the property in late 2022 and early 2023 the subject was approximately 80% occupied at that time but had never achieved stabilized occupancy after opening. Our concluded stabilized vacancy of 8.0% is reasonable given the vacancy seen at the rent comparables and the market and submarket overall vacancy.

## Credit Loss

Typically credit loss for this type of asset can range from 0% to 3% with Class A/B properties typically falling in the lower end of the range. We have not been provided with reliable historical data with which to analyze the subject's historical collection loss. Therefore, we have concluded to a collection loss of 1.0% based on other class A properties in the market as well as typical buyer underwriting.

## Concessions

According to the property manager the new owners offered one month free rent after acquiring the property in June of 2023 but it did not have a noticeable impact of occupancy and therefore was discontinued. The subject is reportedly not offering concessions as of the effective date. We have included the following table detailing the concessions offered at each of the rent comparable:

RENT COMPARABLE CONCESSIONS	
NAME	CONCESSIONS OFFERED
Revl Med Center	None
SYNC Med Center	Up to \$500 off the first month
District 28	One month free on all floor plans
5755 Hermann Park	None
Adenine Apartments	None
Aspire at 610	One month free rent

As seen above three of the six comparable are not offering any concessions while two are offering one month free rent and one is offering the equivalent of approximately one to two weeks free rent. We note that the two properties offering a full month free and the two comparables that are significantly older than the subject. We note that most Class A communities utilize lease optimizer programs which reflect market rents inclusive of rent specials so they are not reported. However, when looking at financial statements of similar properties, this is almost always a concession line which indicates concessions do exist. As such we have projected a marginal stabilized concession of 1.0%. Additionally, we have projected concessions of one month free rent in our lease up cost analysis.

## Loss to Lease

Our proforma assumes that the subject is operating at stabilization. Therefore, no loss to lease is projected.

Our conclusions are summarized in the table below:

INCOME LOSS	
General Vacancy Rate	8.0%
Credit Loss Conclusion	1.0%
Concessions	1.0%
Loss to Lease	0.0%
<b>TOTAL</b>	<b>10.0%</b>

## Effective Gross Income

Based on the above analysis we have concluded to the follow EGI projection summarized in the table below:

EFFECTIVE GROSS INCOME (EGI)			
YEAR	TOTAL	\$/UNIT	ANALYSIS
April 2023 T-12	\$8,781,109	\$26,936	We have given no consideration to the reported historical EGI. Our concluded EGI is based on our projection of market rent for each unit type based on the rent comparables as well as other income and income loss.
<b>CONCLUDED EGI</b>	<b>\$6,031,210</b>	<b>\$18,501</b>	

### Analysis of Operating Expenses

Expenses are estimated based on one or more of the following sources: (1) historical or projected operation of the subject; (2) comparable expense properties; (3) published operating sources; or (4) individual suppliers. The expense comparables reflect varying accounting methods with respect to individual line items and reserves for replacement expenses. On a line-item basis, due to the variances in accounting and classification, their applicability is diminished. The following section provides supporting information and discusses the individual expense conclusions for the subject property. The operating expenses for the subject property were presented previously. The following chart summarizes comparable expenses.

EXPENSE COMPARABLES									
COMPARABLE	COMP 1	COMP 2	COMP 3	COMP 4	COMP 5	COMP 6	LOW	HIGH	AVG
City	Houston	Houston	Conroe	Houston	Baytown	Houston	-	-	-
State	TX	TX	TX	TX	TX	TX	-	-	-
Expense Year	2023	2023	2023	2023	2023	2022	1905	1905	1905
Actual/Budget	Actual	Actual	Actual	Actual	Actual	Actual	-	-	-
Units	324	401	405	341	283	270	270	405	337
Net Rentable Area	355,428	386,108	403,686	284,348	275,520	285,698	275,520	403,686	331,798
Building Class	A	A	A	A	A	A	-	-	-
Year Built	2006	2008	2012	2022	2017	2017	2006	2022	2014
Rental Income	\$18,942	\$20,802	\$17,612	\$29,333	\$17,671	\$27,369	\$17,612	\$29,333	\$21,955
Utility Reimbursements	\$710	\$878	\$1,124	\$871	\$829	\$597	\$597	\$1,124	\$835
Other Income	\$1,501	\$869	\$1,298	\$998	\$1,088	\$1,248	\$869	\$1,501	\$1,167
Other Income % EGI	8.9%	4.7%	7.4%	5.1%	6.2%	4.7%	4.7%	8.9%	6.2%
<b>EGI (\$/UNIT)</b>	<b>\$16,780</b>	<b>\$18,519</b>	<b>\$17,469</b>	<b>\$19,501</b>	<b>\$17,680</b>	<b>\$26,601</b>	<b>\$16,780</b>	<b>\$26,601</b>	<b>\$19,425</b>
EXPENSE ITEMS	\$/UNIT	\$/UNIT	\$/UNIT	\$/UNIT	\$/UNIT	\$/UNIT	LOW	HIGH	AVG
Real Estate Taxes	\$3,131	\$4,146	\$2,549	\$5,260	\$3,544	\$5,003	\$2,549	\$5,260	\$3,939
Additional Tax Charges	\$90	\$57	\$88	-	-	\$87	\$57	\$90	\$81
Property Insurance	\$925	\$1,178	\$754	\$687	\$1,197	\$750	\$687	\$1,197	\$915
Utilities	\$49	\$62	\$23	\$61	\$49	-	\$23	\$62	\$49
Gas	\$11	-	-	\$102	-	-	\$11	\$102	\$57
Electricity	\$198	\$287	\$182	\$497	\$199	\$333	\$182	\$497	\$283
Water & Sewer	\$593	\$600	\$716	\$683	\$530	\$380	\$380	\$716	\$584
Trash	\$84	\$88	\$321	\$284	\$251	\$280	\$84	\$321	\$218
Repairs & Maintenance	\$384	\$819	\$396	\$661	\$1,114	\$965	\$384	\$1,114	\$723
Off-Site Management	\$517	\$544	\$434	\$497	\$528	\$725	\$434	\$725	\$541
Payroll	\$1,699	\$1,486	\$1,335	\$1,949	\$1,390	\$2,268	\$1,335	\$2,268	\$1,688
Advertising	\$295	\$246	\$243	\$2,169	\$237	\$300	\$237	\$2,169	\$582
General & Administrative	\$366	\$385	\$652	\$411	\$255	\$576	\$255	\$652	\$441
Other / Miscellaneous	\$151	-	\$116	-	-	-	\$116	\$151	\$134
Non Revenue Units	-	\$144	-	\$277	\$132	\$193	\$132	\$277	\$187
Reserves	\$250	\$250	\$250	\$250	\$250	-	\$250	\$250	\$250
<b>TOTAL EXPENSES (\$/UNIT)</b>	<b>\$8,743</b>	<b>\$10,292</b>	<b>\$8,059</b>	<b>\$13,788</b>	<b>\$9,676</b>	<b>\$11,860</b>	<b>\$8,059</b>	<b>\$13,788</b>	<b>\$10,403</b>

We note that all of the above expense comparables represent actual T-12 financial data from comparable properties in Houston within the past 12 months.



## Conclusion of Operating Expenses

In the following section we discuss the individual expense conclusions for the subject property.

## EXPENSE ANALYSIS & CONCLUSIONS

### REAL ESTATE TAXES

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/UNIT	%EGI	COMP	\$/UNIT	%EGI
April 2023 T-12	\$972,721	\$2,984	11.1%	1	\$3,131	18.7%
				2	\$4,146	22.4%
				3	\$2,549	14.6%
				4	\$5,260	27.0%
				5	\$3,544	20.0%
				6	\$5,003	18.8%

CONCLUSION	\$1,033,000	\$3,169	17.1%	AVG	\$3,939	20.2%
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### ADDITIONAL TAX CHARGES

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/UNIT	%EGI	COMP	\$/UNIT	%EGI
April 2023 T-12	\$0		0.0%	1	\$90	0.5%
				2	\$57	0.3%
				3	\$88	0.5%
				4	-	-
				5	-	-
				6	\$87	0.3%

CONCLUSION	\$19,963	\$61	0.3%	AVG	\$81	0.4%
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### PROPERTY INSURANCE

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/UNIT	%EGI	COMP	\$/UNIT	%EGI
April 2023 T-12	\$135,996	\$417	1.5%	1	\$925	5.5%
				2	\$1,178	6.4%
				3	\$754	4.3%
				4	\$687	3.5%
				5	\$1,197	6.8%
				6	\$750	2.8%

CONCLUSION	\$407,500	\$1,250	6.8%	AVG	\$915	4.9%
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### UTILITIES

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/UNIT	%EGI	COMP	\$/UNIT	%EGI
April 2023 T-12	\$13,742	\$42	0.2%	1	\$49	0.3%
				2	\$62	0.3%
				3	\$23	0.1%
				4	\$61	0.3%
				5	\$49	0.3%
				6	-	-

CONCLUSION	\$16,300	\$50	0.3%	AVG	\$49	0.3%
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### ANALYSIS

Please refer to the Assessments and Taxes section for additional details.

### ANALYSIS

Franchise Tax is an income tax which depends on numerous scenarios and there are various tax rates that could be imposed on the property owner, if any. Thus, for our analysis we have assumed the subject's owners would qualify for the 0.331% tax rate unless the property's EGI is over \$20 million. If the property has an EGI below \$1,230,000, no franchise tax would be due.

### ANALYSIS

This expense includes all premiums and costs incurred for insurance covering structures, public liability, rental value, and equipment. Market participants have indicated a significant increase in insurance cost for properties renewing their coverage in 2023. This has been especially impactful for properties in costal areas and flood zones. While insurance cost vary based on a properties improvements and locations, market participants indicate that the average increase has been approximately 50% to 100% from the previous rate. Historical operating expense data was unavailable for this analysis. The expense comparables provided for this category report a wide range of expenses and are less reliable. The conclusion is based on the current insurance cost for class A properties in the Houston MSA.

### ANALYSIS

This expense is intended to reflect utility expenses outside of the main categories presented below subject such as a utility billing fee.

**ELECTRICITY**

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/UNIT	%EGI	COMP	\$/UNIT	%EGI
April 2023 T-12	\$64,984	\$199	0.7%	1	\$198	1.2%
				2	\$287	1.5%
				3	\$182	1.0%
				4	\$497	2.5%
				5	\$199	1.1%
				6	\$333	1.3%

<b>CONCLUSION</b>	<b>\$81,500</b>	<b>\$250</b>	<b>1.4%</b>	<b>AVG</b>	<b>\$283</b>	<b>1.4%</b>
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**WATER & SEWER**

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/UNIT	%EGI	COMP	\$/UNIT	%EGI
April 2023 T-12	\$55,904	\$171	0.6%	1	\$593	3.5%
				2	\$600	3.2%
				3	\$716	4.1%
				4	\$683	3.5%
				5	\$530	3.0%
				6	\$380	1.4%

<b>CONCLUSION</b>	<b>\$195,600</b>	<b>\$600</b>	<b>3.2%</b>	<b>AVG</b>	<b>\$584</b>	<b>3.1%</b>
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**TRASH**

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/UNIT	%EGI	COMP	\$/UNIT	%EGI
April 2023 T-12	\$0		0.0%	1	\$84	0.5%
				2	\$88	0.5%
				3	\$321	1.8%
				4	\$284	1.5%
				5	\$251	1.4%
				6	\$280	1.1%

<b>CONCLUSION</b>	<b>\$81,500</b>	<b>\$250</b>	<b>1.4%</b>	<b>AVG</b>	<b>\$218</b>	<b>1.1%</b>
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**REPAIRS & MAINTENANCE**

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/UNIT	%EGI	COMP	\$/UNIT	%EGI
April 2023 T-12	\$49,701	\$152	0.6%	1	\$384	2.3%
				2	\$819	4.4%
				3	\$396	2.3%
				4	\$661	3.4%
				5	\$1,114	6.3%
				6	\$965	3.6%

<b>CONCLUSION</b>	<b>\$220,050</b>	<b>\$675</b>	<b>3.6%</b>	<b>AVG</b>	<b>\$723</b>	<b>3.7%</b>
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**ANALYSIS**

This expense includes all electricity costs for the subject. Historical operating expense data was unavailable for this analysis. The expense comparables provided for this category report a wide range of expenses and are less reliable. The conclusion is based on the expense comparable information.

**ANALYSIS**

This expense includes all water and sewer costs related to the subject. Historical operating expense data was unavailable for this analysis. Excluding the outliers, the majority of the comparables provided for this category report a reasonable range of operating expenses. The conclusion is based on the expense comparable information.

**ANALYSIS**

This category includes trash removal expenses for the subject. Historical operating expense data was unavailable for this analysis. Excluding the outliers, the majority of the comparables provided for this category report a reasonable range of operating expenses. The conclusion is based on the expense comparable information.

**ANALYSIS**

This expense covers the cost of all routine maintenance and repairs. Historical operating expense data was unavailable for this analysis. The expense comparables provided for this category report a wide range of expenses and are less reliable. The conclusion is based on the expense comparable information.

**OFF-SITE MANAGEMENT**

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/UNIT	%EGI	COMP	\$/UNIT	%EGI
April 2023 T-12	\$0		0.0%	1	\$517	3.1%
				2	\$544	2.9%
				3	\$434	2.5%
				4	\$497	2.5%
				5	\$528	3.0%
				6	\$725	2.7%

<b>CONCLUSION</b>	<b>\$165,858</b>	<b>\$509</b>	<b>2.8%</b>	<b>AVG</b>	<b>\$541</b>	<b>2.8%</b>
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**PAYROLL**

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/UNIT	%EGI	COMP	\$/UNIT	%EGI
April 2023 T-12	\$283,179	\$869	3.2%	1	\$1,699	10.1%
				2	\$1,486	8.0%
				3	\$1,335	7.6%
				4	\$1,949	10.0%
				5	\$1,390	7.9%
				6	\$2,268	8.5%

<b>CONCLUSION</b>	<b>\$537,900</b>	<b>\$1,650</b>	<b>8.9%</b>	<b>AVG</b>	<b>\$1,688</b>	<b>8.7%</b>
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**ADVERTISING**

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/UNIT	%EGI	COMP	\$/UNIT	%EGI
April 2023 T-12	\$0		0.0%	1	\$295	1.8%
				2	\$246	1.3%
				3	\$243	1.4%
				4	\$2,169	11.1%
				5	\$237	1.3%
				6	\$300	1.1%

<b>CONCLUSION</b>	<b>\$114,100</b>	<b>\$350</b>	<b>1.9%</b>	<b>AVG</b>	<b>\$582</b>	<b>3.0%</b>
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**GENERAL & ADMINISTRATIVE**

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/UNIT	%EGI	COMP	\$/UNIT	%EGI
April 2023 T-12	\$48,860	\$150	0.6%	1	\$366	2.2%
				2	\$385	2.1%
				3	\$652	3.7%
				4	\$411	2.1%
				5	\$255	1.4%
				6	\$576	2.2%

<b>CONCLUSION</b>	<b>\$130,400</b>	<b>\$400</b>	<b>2.2%</b>	<b>AVG</b>	<b>\$441</b>	<b>2.3%</b>
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**ANALYSIS**

This expense reflects the professional management service for the subject. Historical operating expense data was unavailable for this analysis. The comparables provided for this category report a reasonable range of operating expenses and are reliable. The conclusion is based on the expense comparable information.

**ANALYSIS**

This expense consists of all payroll and associated employee benefits related to the subject's personnel directly involved in the management and maintenance of the subject. Historical operating expense data was unavailable for this analysis. The comparables provided for this category report a reasonable range of operating expenses and are reliable. The conclusion is based on the expense comparable information.

**ANALYSIS**

This expense includes marketing, advertising and promoting the subject property. Historical operating expense data was unavailable for this analysis. Excluding the outliers, the majority of the comparables provided for this category report a reasonable range of operating expenses. The conclusion is based on the expense comparable information.

**ANALYSIS**

This expense includes office supplies, accounting, legal fees, other professional fees, and all other administrative costs. Historical operating expense data was unavailable for this analysis. The expense comparables provided for this category report a wide range of expenses and are less reliable. The conclusion is based on the expense comparable information.

**NON REVENUE UNITS**

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/UNIT	%EGI	COMP	\$/UNIT	%EGI
April 2023 T-12	\$0		0.0%	1	-	-
				2	\$144	0.8%
				3	-	-
				4	\$277	1.4%
				5	\$132	0.7%
				6	\$193	0.7%

**ANALYSIS**

The concluded expense is all inclusive of costs associated with non revenue units. The conclusion is based on the expense comparable information.

<b>CONCLUSION</b>	<b>\$40,750</b>	<b>\$125</b>	<b>0.7%</b>	<b>AVG</b>	<b>\$187</b>	<b>0.9%</b>
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**RESERVES**

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/UNIT	%EGI	COMP	\$/UNIT	%EGI
April 2023 T-12	\$81,500	\$250	0.9%	1	\$250	1.5%
				2	\$250	1.3%
				3	\$250	1.4%
				4	\$250	1.3%
				5	\$250	1.4%
				6	-	-

**ANALYSIS**

Reserves for replacements are not typical cash expenditures, but rather the annualized cost of major expense in the future. The expense conclusion considers the subject's age and condition and typical standards. The conclusion is based on the expense comparable information.

<b>CONCLUSION</b>	<b>\$81,500</b>	<b>\$250</b>	<b>1.4%</b>	<b>AVG</b>	<b>\$250</b>	<b>1.4%</b>
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TOTAL EXPENSES	LOW	HIGH
SUBJECT HISTORICAL \$/UNIT	\$5,235	\$5,235
EXPENSE COMPARABLES \$/UNIT	\$8,059	\$13,788
SALE COMPARABLE \$/UNIT	\$9,912	\$11,846
SUBJECT HISTORICAL %EGI	19.4%	19.4%
EXPENSE COMPARABLES %EGI	44.6%	70.7%
SALE COMPARABLES %EGI	51.6%	53.1%
TOTAL EXPENSES \$/UNIT	\$9,582	
TOTAL EXPENSES %EGI	51.8%	
<b>TOTAL EXPENSES</b>	<b>\$3,123,722</b>	

**CONCLUSION**

We have given no consideration to the historicals provided. We have based our projections on the comparables as well as typical buyer underwriting for class A properties in Houston.

**NET OPERATING INCOME (NOI)**

YEAR	TOTAL	\$/UNIT	%EGI	ANALYSIS
April 2023 T-12	\$7,074,522	\$21,701	80.6%	We have given no consideration to the reported historical NOI. Our concluded NOI is based on our projection of market income and expenses based primarily on the comparable data presented above.
<b>CONCLUDED NOI</b>	<b>\$2,907,488</b>	<b>\$8,919</b>	<b>48.2%</b>	

**INVESTMENT MARKET ANALYSIS****Development of Capitalization Rate**

The going-in capitalization rate, also known as overall rate (OAR), can be determined using several sources and methods. In developing our opinion of OAR, the following techniques were used:

- › Comparable Sales (Sales Comparison Approach)
- › Supplemental Comparable Sales (Competitive Market)
- › Investor Surveys
- › Band of Investment Technique
- › Mortgage Equity Technique



## Comparable Sales

The following table presents a summary of the comparable sales used ahead in the Sales Comparison Approach, and the capitalization rates from each of those sales.

CAPITALIZATION RATE COMPARABLES (OAR)										
NAME	CITY	ST	SALE DATE	YR BLT	CLASS	UNITS	AVG UNIT SF	\$/UNIT	SALE PRICE	CAP RATE
1 Dolce Midtown	Houston	TX	November 15, 2023	2019	A	201	829	\$183,567	\$36,897,000	6.05%
2 The Meritage	Houston	TX	November 2, 2023	2007	A	240	914	\$182,083	\$43,700,000	4.93%
3 Alta West Gray	Houston	TX	July 21, 2023	2017	A	166	822	\$212,349	\$35,250,000	4.78%
4 Adenine Apartments	Houston	TX	June 15, 2023	2015	A	265	1,026	\$207,547	\$55,000,000	4.76%
5 Verdir at Hermann Park	Houston	TX	November 1, 2023	2004	A-	224	975	\$180,804	\$40,500,000	5.07%
ADDITIONAL COMPS										
Cobalt Lake Houston	Humble	TX	Pending	2019	A	296	956	\$143,000	\$42,328,000	5.90%
Elle Collection - Med Center	Houston	TX	Awarded	1989 - 1994	B	470	1,174	\$128,723	\$60,500,000	6.75%
LOW			June 2023							4.76%
HIGH			November 2023							6.75%
AVERAGE			September 2023							5.46%
MEDIAN			November 2023							5.07%
INDICATED CAPITALIZATION RATE (OAR)										6.00%

For this analysis, we have provided five primary sales comparables, which are later presented in the Sales Comparison Approach. These five primary sales have capitalization rates ranging from 4.76% to 6.05%, with an average of 5.12% and a median of 4.93%. Comparable 2 will be converted to PFC structure upon sale and will therefore, we tax exempt. According to a party to sale this had a downward impact on cap rate, though the impact is difficult to quantify. Comparables 3 and 4 sold in the summer of 2023 and were priced several months prior during lower interest rates and more favorable market conditions. As a result, these properties sold at lower cap rates than would be expected as of the effective date. Comparable 5 has an assumable 2.15% HUD loan which resulted in a below market cap rate given current market conditions. Given the limitations of the primary comparables we have also included two supplemental cap rate comparables. Cobalt Lake Houston is a Class A property in the Houston suburbs whose cap rate reflects current interest rates. Elle Collection is a 1990's vintage three property portfolio southeast of the Medical Center which was awarded within weeks of the effective date but has not yet been formally placed under contract. With consideration of the comparable data presented for this analysis, a capitalization rate of 6.00% is most reasonable and indicated for the subject property.

## Investor Surveys

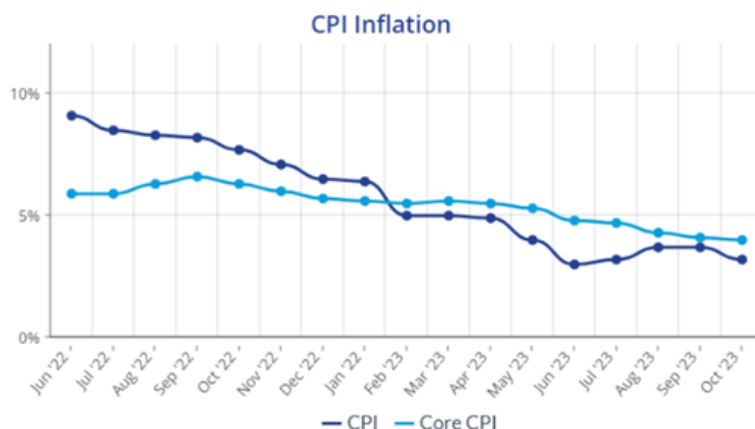
As will be discussed below, there have been significant changes in the market over the past year as the Federal Reserve has pushed interest rates up to a level multiple times higher than it was mid-2022. In turn, sales have plummeted as investors reassess their risks and wait for some stability to return. Brokers report a broad range in bid-ask spreads due to the weakened sentiment brought on by both recent changes in the debt market and widespread fears of a forthcoming recession. Given the recent scarcity of pricing evidence in the new, more expensive debt environment, it is important to triangulate from a range of data types and sources.

FEDERAL RESERVE POLICY DECISIONS				
DATE	RATE INCREASE	TARGET FEDERAL FUNDS RATE		
Pre-March 2022	-	0.00%	to	0.25%
Mar-22	25 bps	0.25%	to	0.50%
May-22	50 bps	0.75%	to	1.00%
Jun-22	75 bps	1.50%	to	1.75%
Jul-22	75 bps	2.25%	to	2.50%
Sep-22	75 bps	3.00%	to	3.25%
Nov-22	75 bps	3.75%	to	4.00%
Dec-22	50 bps	4.25%	to	4.50%
Feb-23	25 bps	4.50%	to	4.75%
Mar-23	25 bps	4.75%	to	5.00%
May-23	25 bps	5.00%	to	5.25%
Jul-23	25 bps	5.25%	to	5.50%

With the increased inflow of capital to multifamily real estate over the past two years, capitalization rates throughout the nation dipped over the course of 2021 and early-2022, with proforma cap rates for well-located trophy assets dropping below 3.0% in some cases. However, above average inflation in areas of basic needs for consumers, including food, fuel, and shelter, resulted in an aggressive response from the Federal Reserve. In response to ongoing inflationary pressures, the Federal Reserve has increased interest rates several times over the past year and continues to signal further increases are possible through 2023 until there is clear evidence that inflation is under control.

Fed officials are united in the belief that the higher cost of money will restore the rate of inflation to pre-pandemic levels of 2% or less by 2025, based on its preferred Personal Consumption Expenditures (PCE) price index. The Personal Consumption Expenditures Price Index is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services.

While interest rate increases were both frequent and stout at the beginning of the rate hikes, the target Federal Funds rate has remained unchanged at the 22-year high established with the last hike in July 2023. Measures taken by the Fed appear to be having the desired impact as the annual US Inflation Rate has fallen from its 40-year high of 9.1% in June 2022 to 3.24% for the 12 months ending in October. The advance in the core rate of inflation (which omits food and energy) over the past 12 months dropped to 4.0% from its September 2022 high of 6.6% to mark the lowest level in over a year. The Fed views the core rate as a more accurate predictor of future inflation trends.



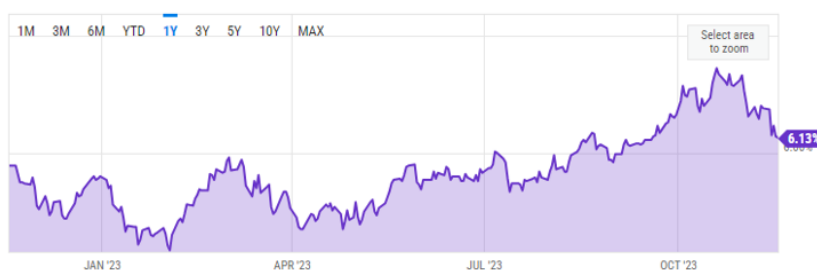
Fed Chairman Jerome Powell has acknowledged that a “disinflationary” process is underway, but also reiterates the Fed needs to see “substantially more evidence” that price pressures are evaporating. Powell has indicated that officials expect to keep rates higher through next year. Although the Fed has not sworn off the possibility of additional rate hikes—with Fed chair Jerome Powell reiterating that FOMC decisions are data dependent—the market believes that the Fed has reached the terminal rate of their hiking cycle and has begun pricing in future rate cuts.

### Impacts of Rising Interest Rates

Generally, rising interest rates create issues for the commercial real estate market, as the cost of borrowing capital is a consideration in real estate pricing. Real estate investors have long used BBB bond rates as a point of comparison to cap rates. As the 10-year Treasury is considered a “risk-free” bond, while BBB bonds have inherent levels of risk, such as default, bankruptcy, etc. Since the beginning of 2022, BBB bond rates have moved from 2.7% to upwards of 6.13% in recent days.

#### US Corporate BBB Effective Yield (I:USCBBBEY)

6.13% for Nov 17 2023



Since the Great Financial Crisis (GFC), cap rate spreads have generally been above their long-term trend. For office, industrial and retail, that spread has historically averaged between 2.3 and 2.5 percentage points (cap

rates above BBB bonds). Multifamily historically trades at a tighter spread of 1.5 percentage points, as shown in the following chart.



Real estate's solid fundamentals, particularly on the industrial and multifamily side, stand in stark contrast to BBB bonds. A bond is a bond, and while they trade on the open market causing price movement, the coupon is a fixed rate. Improving occupancies and rents have and continue to fuel strong NOI growth. This suggests that real estate can, and rationally should, act differently than BBB bonds in a rising interest rate environment. Add in real estate's ability to hedge against inflation (for the same reasons mentioned above - rising rents and NOI), and there is further support for movement to below trend spreads.

Cap rates of recently closed developments generally remain below or in-line with prevailing commercial mortgage rates, which in general appear to be operating in a range between 6.0% and 7.0% as of 4Q 2023. As such, many investors are still going into deals with negative leverage in primary markets; however, negative leverage in secondary and tertiary markets is generally no longer a reality. Broadly, local brokers are suggesting that potential buyers are expecting cap rate premiums of at least 150 to 300 basis points from levels seen in late-2021/early-2022.

### Transaction Volumes and Pricing Trends

Rising interest rates have impacted the multifamily market the hardest given the record low cap rate environment. Multifamily drove nearly 50% of all volume in the first half of 2022. However, volume was down 84% year-over-year by December, and by the end of the Third Quarter of 2023, volume remains 62% below levels one year prior. Despite this sharp decline, multifamily remains among the top draws for capital in the current environment. Multifamily remains the most liquid asset class overall, with Q3 volume totaling \$30.1 billion. In addition, multifamily accounted for 36.5% of all sales volume this quarter, well ahead of its pre-COVID norm of 31.8%. At the height of the market, multifamily regularly accounted for 40% or more of volume, suggesting a sense of normalcy is returning. Cap rates are rising and, per quarterly averages, are back to 2019 levels.

#### 2023 Q3 Sales Volume (by Asset Class)

	Volume (\$ billions)	Volume Change (YOY)	Price Change (YOY) <sup>1</sup>
Office	10.6	-65%	-9%
Industrial	21.1	-45%	-1%
Multifamily	30.1	-62%	-13%
Retail	14.9	-31%	-7%
Hospitality	5.9	-46%	0%
<b>Total</b>	<b>82.6</b>	<b>-54%</b>	<b>-9%</b> <sup>2</sup>

Sources: Colliers, MSCI

<sup>1</sup> Each index is calculated independently

<sup>2</sup> Index comprises office, industrial, retail, and multifamily

As borrowing costs have escalated, pricing pressure has increased. Cap rates remain in an expansionary phase with many buyers generally requiring higher cap rates than sellers are willing to accept. As a result, many sellers are holding onto their assets unless they have a liquidity event, such as pending loan maturity, meaning buyers will have fewer new sales offerings than usual.

While double-digit rent growth continued to prop up transactions through most of the 2022 and early 2023, growth has slowed, or even reversed in many of the formerly hot Sunbelt markets. CoStar reports that even if lending costs ease, forward-looking rent growth, along with rising insurance costs, is another sensitive metric holding buyers back in the current market.

Barry Gosin, Chief Executive of Newmark, opined that "the rapid rise of global interest rates has materially impacted transaction volumes. We do not expect volumes to rebound until interest and capitalization rates

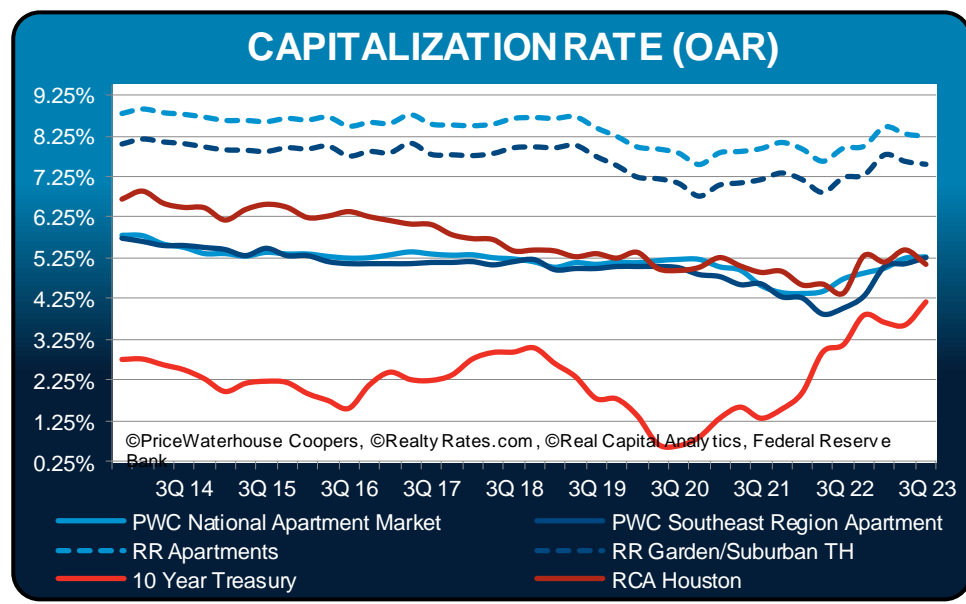
stabilize and the strong fundamentals of commercial real estate reemerge... The banks are in a good position to lend. ... [There's] over \$410 billion of global institutional real-estate focused capital waiting to be deployed and \$2.5 trillion of commercial and multifamily debt maturing over the next five years."

Higher interest rates have made deals more challenging, but the rate jump comes at a time when multifamily fundamentals remain attractive, which is benefitting from a supply-demand imbalance and material and labor shortages that have increased the barriers to building new supply.

Miles Zander, Director of Investments for LV Collective, an Austin-based real estate investment firm focused on acquiring, developing, and managing high-quality real estate in high-profile locations throughout the nation, reports that investors are uniform in their assumption that cap rates will drop as interest rates begin moving back down. He opines that while the buyer pool is deep, there are few sellers willing to dispose of properties in the current capital environment, resulting in large bid-ask spreads, which show little signs of letting up in the near term.

Upcoming loan maturities have been a hot topic among the capital markets community, and rightfully so. Lenders are starting to see assets come back, or they are opening the door to short sales and loan sales. The amount of parked capital available offers a ray of hope and stands as one of the brighter spots in the market today. The biggest challenge is likely meeting IRR hurdles. Given the cost of debt, some of this capital will be stuck, as unlevered returns typically cannot meet targets alone. Overall, investors are well positioned to capitalize on the types of deals that will need capital and the opportunities that will likely present themselves.

The following graph provides a historical illustration of capitalization rate statistics as surveyed by investors that we considered to be relevant to the subject property.





The following table provides the most recent survey results from investors and our independent market participant interview.

CAPITALIZATION RATE SURVEYS (OAR)				
SOURCE	QUARTER	RANGE		AVG
PriceWaterhouse Coopers				
National Apartment Market	3Q 23	3.75%	to 8.00%	5.28%
Southeast Region Apartment	3Q 23	4.50%	to 6.00%	5.25%
RealtyRates.com				
Apartments	2Q 23	4.89%	to 11.88%	8.25%
Garden/Suburban TH	2Q 23	4.89%	to 10.81%	7.56%
Real Capital Analytics				
Houston	3Q 23			5.08%
10 Year Treasury	3Q 23	-	-	4.15%
AVERAGE		4.51%	to 9.17%	6.59%

### Market Participants

We interviewed local Houston multifamily investment sales brokers at five of the major brokerages that sell class A multifamily properties in the urban core. Their opinions of cap rate range for the subject property assuming stabilized occupancy and operations are as follows:

MARKET PARTICIPANT INTERVIEWS - CAPITALIZATION RATES (OAR)				
TITLE	COMPANY	DATE	RANGE	
Director	IPA	4Q 23	5.50%	to 6.00%
Director	JLL	4Q 23	5.75%	to 6.25%
Director	New mark	4Q 23	5.50%	to 5.75%
Managing Director	Berkadia	4Q 23	6.25%	to 6.50%
Associate	CBRE	4Q 23	5.50%	to 6.00%
Executive Managing Director	Cushman & Wakefield	4Q 23	5.75%	to 6.25%
<b>Average</b>		<b>4Q 23</b>	<b>5.71%</b>	<b>to 6.13%</b>

**Director, IPA** – Previous listing broker for the subject in late 2022 and early 2023. The cap rate for the subject assuming stabilized operations would likely be below 6.0%. For properties that are not stabilized but have positive cash flow and occupancy north of 80%, buyers are looking to purchase at cap rate of 5.25% to 5.50% based on current in place income. Given the subject's current occupancy and lack of positive cash flow the subject would likely be priced at a stabilized yield to cost above 7.0%, likely between \$120,000 and \$130,000 per unit. There are currently around 15 class A properties on the market in Houston with prices between \$130,000 and \$150,000 per unit. Given current market conditions and interest rates, buyers would not pay above the price of those stabilized properties for the subject given its low occupancy and lack of positive cash flow. He pointed to Prose Hardy Yards, a 2022 new build property just north of Downtown Houston which achieved stabilized occupancy. This property was reportedly on the market for \$160,000 per unit but was pulled off the market due to lack of demand at that price. The subject never reached stabilized occupancy after opening and remained around 80% occupied during the time the property was listed. In his opinion the subject's occupancy issues are due to its poor location lacking easy access to the Texas Medical Center as well as access to supporting retail.

**Director, JLL** – The subject's cap rate would be around a 6.0% today assuming stabilized occupancy. The cap rate could be slightly lower depending on the discount to replacement cost which is driving demand for class A properties in the Houston Urban Core. Cap rates have decreased slightly in recent weeks as the 10 year treasury, which peaked above 5% in early October but has since declined into the mid 4% range.

**Newmark, Director** – Cap rate range of 5.50% to 5.75% based on current market conditions.

Berkadia, Managing Director –Cap rates are around 6.0% for new construction property in the Urban Core. However, given its location the subject would likely trade at a higher cap rate between 6.25% and 6.50% at stabilization. He pointed to the Elle Collection, a 1990's vintage three property portfolio in the Medical Center area which was recently awarded at a cap rate of approximately 6.75%. The subject's as is sales price would likely fall somewhere between \$100,000 and \$150,000 per unit.

**Associate, CBRE** – The subject would be expected to sell between 5.50% and 6.0% based on current market conditions. The cap rate spread between class A and class B/C properties is beginning to thin out as typical class B/C buyers are increasingly looking at class A properties due to low-cost basis. There are buyers in the market looking to purchase distressed properties at a discount, however they have had difficulty raising equity from investors.

**Executive Managing Director, Cushman and Wakefield** – Previous part of the team at IPA that listed the property. The subject was originally built by a retail developer who was making their first attempt at multifamily. As a result of their inexperience the developer ran out of money at the end of the project and did not have the funds to properly complete the finishing touches or fund the lease up. As a result of this, as well as the subject's poor location, it has struggled with occupancy since opening. The cap rate for the subject if stabilized today would range from 5.75% to 6.25% assuming some remaining upside in the property. Buyers are seeking positive leverage by month 12 and no later than month 18. The subject would be valued at a 7.0%+ stabilized yield to cost in its as is condition.

### Band of Investment Technique

Because most properties are purchased with debt and equity capital, the overall capitalization rate must satisfy the market return requirements of both investment positions. Lenders must anticipate receiving a competitive interest rate commensurate with the perceived risk of the investment or they will not make funds available. Lenders also require that the principal amount of the loan be repaid through amortization payments. Similarly, equity investors must anticipate receiving a competitive equity cash return commensurate with the perceived risk or they will invest their funds elsewhere.

To analyze the capitalization rate from a financial position, the Band of Investment Technique is used. Available financing information indicates the following terms:

BAND OF INVESTMENT ASSUMPTIONS	
Loan Amortization Period	30 Years
Interest Rate	6.50%
Loan-to-Value (LTV) Ratio	60%
Mortgage Constant	7.58%

Equity dividend rates vary depending upon motivations of buyers and financing terms. The previous terms and an appropriate equity dividend rate are used in the Band of Investments calculations, which are presented on the following chart.

BAND OF INVESTMENT CALCULATION					
Mortgage Component	60%	x	7.58%	=	4.551%
Equity Component	40%	x	9.00%	=	3.600%
Indicated Capitalization Rate					8.151%
<b>INDICATED CAPITALIZATION RATE</b>					<b>8.15%</b>

The band of investment reflects the year 1 cap rate indication based on cost of capital, LTV, and going in return on equity. However, it does not reflect the increasing return on equity as a result of anticipated rent and NOI growth, as well as the impact of interest only loan terms. As a result, the band of investment tends to reflect the market ceiling in terms of capitalization rate indications in the present environment where rent growth is anticipated to continue occurring at an elevated level. Consequently, we have placed greater reliance on recent transactions, pending sales, and current market participant feedback.

It should be noted that interest rates have risen faster than cap rates in the local market, creating an environment where many buyers are going into deals with negative leverage. Negative leverage is defined as when the cap rate on a property acquisition is less than the cost of debt or debt constant and therefore, the cash-on-cash return is less than the cap rate. Buyers of multifamily properties are willing to invest with these terms for a number of reasons: one being that they may have capital raised in a fund that they are eager to allocate; another being that they believe rent increases will be high enough to generate positive leverage within a short period of time; and finally, as protection from inflation, which is currently at its highest level in decades. All of these factors are present to some degree and provide support for our concluded equity and mortgage components above, which reflect the inverse of the typical mortgage-equity relationship where the equity component is expected to exceed the mortgage component.

Realty Rates - Investor Survey - 3rd Quarter 2023 - Apartments - All Types						
Item	Input					OAR
Minimum						
Spread Over 10-yr. Treasury	75.00%	DCR Technique	1.00	0.052567	0.90	4.73%
Debt Coverage Ratio	1.00	Band of Investment Technique				
Interest Rate	4.32%	Mortgage	90.00%	0.052567	0.047310	
Amortization	40	Equity	10.00%	0.047000	0.004700	
Mortgage Constant	0.052567	OAR				5.20%
Loan-To-Value Ratio	90%	Surveyed Rates				4.89%
Equity Dividend Rate	4.70%					
Maximum						
Spread Over 10-yr. Treasury	4.80%	DCR Technique	1.86	0.117256	0.55	12.00%
Debt Coverage Ratio	1.86	Band of Investment Technique				
Interest Rate	8.37%	Mortgage	55.00%	0.117256	0.064491	
Amortization	15	Equity	45.00%	0.137400	0.061830	
Mortgage Constant	0.117256	OAR				12.63%
Loan-To-Value Ratio	55%	Surveyed Rates				11.88%
Equity Dividend Rate	13.74%					
Average						
Spread Over 10-yr. Treasury	2.79%	DCR Technique	1.43	0.078411	0.73	8.19%
Debt Coverage Ratio	1.43	Band of Investment Technique				
Interest Rate	6.36%	Mortgage	73.00%	0.078411	0.057240	
Amortization	26	Equity	27.00%	0.096800	0.026136	
Mortgage Constant	0.078411	OAR				8.34%
Loan-To-Value Ratio	73%	Surveyed Rates				8.25%
Equity Dividend Rate	9.68%					
SOURCE: Realty Rates - 3rd Quarter 2023 Data						

Our loan-to-value ratio of 60% is bracketed by the survey data which ranges from 55% to 90%. Mortgage interest rates range from 4.32% to 8.37%, which brackets the Colliers projection of 6.50%. The Colliers Equity Dividend Rate of 6.5% is bracketed by the survey data, which ranges from 4.70% to 13.74%, with an average of 9.68%.

### Debt Coverage Ratio Technique

An alternate method to calculating capitalization rates based on financing metrics is the Debt Coverage Ratio method, which uses the relationship between the DCR, LTV, and mortgage constant to conclude to a rate value. Based on the assumptions previously discussed, we have concluded to a DCR of 1.30, an LTV of 60% and a mortgage constant of 7.58%. The following calculation indicates the cap rate conclusion by this method:

DEBT COVERAGE RATIO CALCULATION	
Debt Coverage Ratio	1.30
Loan-to-Value (LTV) Ratio	60%
Mortgage Constant	7.58%
<b>INDICATED CAPITALIZATION RATE</b>	<b>5.92%</b>

The Band of Investment does not reflect the impact of interest only loans. Typical investors are receiving several years of interest only, which is driving cap rates below levels indicated by the Band of Investment analysis and DCR ratio indications

### Capitalization Rate Conclusion

Taking all factors into consideration, the following table summarizes the various capitalization rate indicators and provides the final capitalization rate conclusion.

CAPITALIZATION RATE CONCLUSION (OAR)			
SOURCE	QUARTER	RANGE	AVG
Comparable Sales		4.76% to 6.05%	5.12%
Supplemental Comparable Sales		5.90% to 6.75%	6.33%
Investor Surveys	3Q 23	4.51% to 9.17%	6.59%
Market Participant Survey	4Q 23	5.75% to 6.25%	6.0%
Band of Investment Technique			8.15%
Debt Coverage Technique			5.92%
<b>AVERAGE</b>		5.23% to 7.06%	6.35%
<b>CAPITALIZATION CONCLUSION</b>			<b>6.00%</b>

We have placed primary emphasis on the cap rate comparables as well as the market participant interview in our concluded cap rate. We note that our concluded cap rate reflects the subject at stabilization and does not account for the risks associated with the subject as is.



**STABILIZED DIRECT CAPITALIZATION**

This method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over a buyer's investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

The subject property is expected to attain stabilized occupancy in year 1. The following table summarizes our opinion of market value for the subject property via Direct Capitalization including the Prospective Value Upon Stabilization (Capitalized Value) as of January 1, 2025.

<b>DIRECT CAPITALIZATION SUMMATION TABLE</b>				
<b>INCOME ITEMS</b>	<b>%PGI</b>	<b>%EGI</b>	<b>\$/UNIT</b>	<b>TOTAL</b>
Potential Rental Income			\$18,334	\$5,976,900
<b>TOTAL RENTAL INCOME</b>			<b>\$18,334</b>	<b>\$5,976,900</b>
<b>OTHER INCOME</b>				
Other Income			\$1,250	\$407,500
Utility Reimbursements			\$750	\$244,500
<b>TOTAL OTHER INCOME</b>			<b>\$2,000</b>	<b>\$652,000</b>
<b>POTENTIAL GROSS INCOME (PGI)</b>			<b>\$20,334</b>	<b>\$6,628,900</b>
<b>INCOME LOSS</b>	<b>%PGI</b>		<b>\$/UNIT</b>	<b>TOTAL</b>
Vacancy	(8.0%)		(\$1,467)	(\$478,152)
Collection Loss	(1.0%)		(\$183)	(\$59,769)
Concessions (% Rental Income)	(1.0%)		(\$183)	(\$59,769)
Other Income Vacancy & Credit Loss	0.0%		-	\$0
<b>TOTAL INCOME LOSS</b>	<b>(9.0%)</b>		<b>(\$1,833)</b>	<b>(\$597,690)</b>
<b>EFFECTIVE GROSS INCOME (EGI)</b>	<b>91.0%</b>		<b>\$18,501</b>	<b>\$6,031,210</b>
<b>EXPENSE ITEMS</b>	<b>%PGI</b>	<b>%EGI</b>	<b>\$/UNIT</b>	<b>TOTAL</b>
Real Estate Taxes	(15.6%)	(17.1%)	(\$3,162)	(\$1,030,800)
Additional Tax Charges	(0.3%)	(0.3%)	(\$61)	(\$19,963)
Property Insurance	(6.1%)	(6.8%)	(\$1,250)	(\$407,500)
Utilities	(0.2%)	(0.3%)	(\$50)	(\$16,300)
Electricity	(1.2%)	(1.4%)	(\$250)	(\$81,500)
Water & Sewer	(3.0%)	(3.2%)	(\$600)	(\$195,600)
Trash	(1.2%)	(1.4%)	(\$250)	(\$81,500)
Repairs & Maintenance	(3.3%)	(3.6%)	(\$675)	(\$220,050)
Off-Site Management	(2.5%)	(2.8%)	(\$509)	(\$165,858)
Payroll	(8.1%)	(8.9%)	(\$1,650)	(\$537,900)
Advertising	(1.7%)	(1.9%)	(\$350)	(\$114,100)
General & Administrative	(2.0%)	(2.2%)	(\$400)	(\$130,400)
Non Revenue Units	(0.6%)	(0.7%)	(\$125)	(\$40,750)
Reserves	(1.2%)	(1.4%)	(\$250)	(\$81,500)
<b>TOTAL EXPENSES</b>	<b>(47.1%)</b>	<b>(51.8%)</b>	<b>(\$9,582)</b>	<b>(\$3,123,722)</b>
<b>NET OPERATING INCOME (NOI)</b>	<b>43.9%</b>	<b>48.2%</b>	<b>\$8,919</b>	<b>\$2,907,488</b>
Capitalization Rate				6.00%
Capitalized Value				\$48,458,140
<b>PROSPECTIVE VALUE UPON STABILIZATION</b>			<b>\$148,773</b>	<b>\$48,500,000</b>
Lease-Up Cost + Profit	(122.3%)	(134.5%)		(\$8,120,000)
<b>AS-IS MARKET VALUE</b>			<b>\$123,926</b>	<b>\$40,400,000</b>

Rounded to nearest \$100,000

We have estimated the subject will achieve stabilized occupancy in the 13 months following the effective date of this report. Given the recently flat trends in terms of rent growth across the Houston market, no inflation factors have been utilized.

## ADJUSTMENTS TO VALUE

## Lease-Up Analysis

We have appraised the subject under the extraordinary assumption that it is 70% occupied at market rent as of the effective date. Based on discussions with market participants the subject never reach stabilization after opening and was in the low 80% range in early 2023 before declining over the course of the year. As such, lease-up costs associated with the subject achieving stabilization are warranted in arriving at the As-Is Market Value.

The following table shows the absorption costs for the subject, based on the rental conclusions of this report and current 30% vacancy rate. Additionally, it is estimated that the subject will need to offer a strong concession of one month free, to promote occupancy and move-in. Based on the average market rent of \$1,528, and an average of one month free rent, rent loss is estimated at about \$1,500/unit and is represented in the "Marketing" expense. Given the subject's location and poor performance history, we have included to a 100.00% profit on lease up cost to reflect both the risk and expected return for a buyer to purchase the subject in as is condition.

LEASE-UP ANALYSIS					
TOTAL UNITS			326	UNITS OCCUPIED	228
ABSORPTION RATE UNITS/MONTH			5	PGI/UNIT/MONTH	\$1,695
STABILIZED OCCUPANCY (300 UNITS)			92.0%	DISCOUNT RATE	8.00%
MONTH	UNITS ABSORBED	UNITS REMAINING	UNITS OCCUPIED	RENT LOSS (PER MONTH)	PRESENT VALUE OF RENT LOSS
1	5	67	233	\$113,532	\$112,780
2	5	62	238	\$105,059	\$103,672
3	5	57	243	\$96,587	\$94,680
4	5	52	248	\$88,114	\$85,803
5	5	47	253	\$79,642	\$77,039
6	5	42	258	\$71,169	\$68,388
7	5	37	263	\$62,697	\$59,847
8	5	32	268	\$54,224	\$51,417
9	5	27	273	\$45,752	\$43,096
10	5	22	278	\$37,279	\$34,883
11	5	17	283	\$28,807	\$26,776
12	5	12	288	\$20,334	\$18,776
13	5	7	293	\$11,862	\$10,880
TOTAL LOST RENTAL INCOME					\$788,037
MARKETING @ \$1,500/Unit					\$108,000
PROFIT @ 100.0% of \$896,037					\$896,037
TOTAL LOST INCOME					\$1,790,000

Rounded to nearest \$10,000

We have included the following absorption comparables from other new construction multifamily properties in the Houston Urban Core to support our concluded lease up timing.

ABSORPTION COMPARABLES						
Property Name	Year Built	# of Units	Percent Occupied	Lease Up Period (Months)	Units Leased	Units Per Month
Revl Med Center	2022	281	95%	14	267	19.1
Prose South Main	2022	335	96%	11	322	29.2
2111 Austin	2020	215	96%	18	206	11.5
Boone Manor	2022	247	97%	13	240	18.4
Broadstone Memorial Park	2021	358	91%	12	326	27.1

Given the above comparables our concluded lease up timing of 5 units per month appears conservative and takes into account the subject's historical difficulty in achieving stabilized occupancy.

### Risk / Profit Adjustment

Entrepreneurial profit is applicable with significant capital expenditures are incurred on a property or a property is being purchased at below stabilized NOI. When buyers contemplate an appropriate purchase price for properties that are not stabilized (i.e. the property effected by deferred maintenance, below-stabilized occupancy, or both), the buyer first calculates the out-of-pocket costs to achieve stabilization. Typically, this involves the cost of repairs, and/or the cost of the lost revenue until the property achieves stabilized occupancy. However, the buyer must be induced to buy a property that is not stabilized. That is, if the buyer can only reduce the sale price by the amount of the actual out-of-pocket funds, the buyer is not being compensated for the time, capital, opportunity cost, and risk associated with purchasing un-stabilized properties. Thus, the buyer will make an additional deduction from the sale price for "profit/risk."

Extensive interviews with various market participants who actively purchase and renovate sub stabilized properties indicate that two factors are considered when estimating an appropriate "profit/risk" allocation: One method buyers consider is an allocation as a percentage of the total lease up cost or renovations/capital expenditures. Here, buyers consider the overall dollar amount of profit as compared to the total capital outlay. Typically buyers quote profit/risk rates of 25% to 150% percent of total capital expenditures. The higher the cost usually corresponds with a higher risk and the resulting higher required return.

Another method often reported on value-add properties, where the renovation is more substantial, is a calculation of profit as a percentage of return on the entire project, i.e. the stabilized market value. In this scenario, the entrepreneurial profit is normally a greater overall dollar amount but smaller percentage of the investment. This method is often necessary when significant upside value is created from a renovation. This method applies a profit on the future value of the asset that reflects the increase in market value from increased revenue performance that is a result of the renovation.

Each buyer reports that profit/risk allocations are evaluated on a case-by-case basis and are property specific based on the overall capital outlay and risk level. The method selected varies and there is no particular rule of thumb or trend.

Given the lack of any truly comparable transactions, we spoke with multiple market participants in order to estimate how buyers would price the subject is as is condition. Brokers that we spoke with indicated that since the increase in interest rates and decline in market conditions beginning in early 2022, buyers have shown minimal interest in property which do not have positive cash flow day one. Further, they require a path to positive leverage by month 12 and no later than month 18. These brokers indicated that there are approximately 15 class A properties in the Houston MSA with asking prices between \$130,000 and \$150,000 per unit and in many cases

are receiving weak demand. It is the brokers' opinion that buyers would prefer to purchase these stabilized properties, despite being outside the Houston Urban Core, than the subject in as is condition. Therefore, we have applied a further risk / profit adjustment of 15% to the concluded as is value and lease up cost which represent the buyer's initial capital outlay.

Two brokers that we spoke with indicated that the subject as is would be priced north of 7.0% on a stabilized yield to cost, ie stabilized NOI / as is value. Our stabilized NOI of \$2,907,488 and concluded as is value of \$40,400,000 results in a stabilized yield to cost of 7.20% which represents a 120 basis point spread between the stabilized and as is cap rates. Two of the market participants that we spoke with gave price per unit opinions for the subject property in as is condition which ranged from \$100,000 per unit to around \$150,000 per unit with emphasis on the middle of the range, which is in line with our as is value conclusion.

### Total Adjustments to Value

A summary of the value adjustments that are applicable for valuation of the subject property are summarized in the following table.

SUMMARY OF VALUE ADJUSTMENTS		
ADJUSTMENT ITEM		ADJUSTMENT
<b>LEASE-UP COSTS</b>		
Rent Loss		\$788,037
Marketing		\$108,000
Subtotal Lease-Up Costs		\$896,037
Entrepreneurial Profit		\$896,037
<b>TOTAL LEASE-UP COSTS</b>		<b>\$1,792,075</b>
Profit / Risk	15%	<b>\$6,328,811</b>
<b>TOTAL ONE TIME ADJUSTMENT</b>		<b>\$6,328,811</b>
<b>TOTAL VALUE ADJUSTMENTS</b>		<b>\$8,120,000</b>

Rounded to nearest \$10,000

The preceding value adjustments were applied consistently to all approaches to value that were developed in this appraisal.

### RECONCILIATION OF INCOME APPROACH VALUES

The following table summarizes the opinions for market value that were developed by the Direct Capitalization and Effective Gross Income Multiplier methods of the income approach. Of the two approaches, the Direct Capitalization analysis is considered more reliable because it mirrors the sentiment of participants in this asset class. Therefore, the reconciled values below place primary emphasis on the Direct Capitalization method.



VALUATION INDICES	MARKET VALUE AS-IS	PROSPECTIVE VALUE UPON STABILIZATION
INTEREST APPRAISED	LEASED FEE	LEASED FEE
DATE OF VALUE	NOVEMBER 28, 2023	JANUARY 1, 2025
INCOME CAPITALIZATION APPROACH		
<b>Direct Capitalization</b>	<b>\$40,400,000</b>	<b>\$48,500,000</b>
Direct Capitalization \$/Unit	\$123,926/Unit	\$148,773/Unit
Direct Capitalization \$/SF (NRA)	\$162.03/SF	\$194.52/SF
Net Operating Income	-	\$2,907,488
NOI \$/Unit	-	\$8,919/Unit
NOI \$/SF (NRA)	-	\$11.66/SF
Capitalization Rate	-	6.00%
<b>INCOME CONCLUSION</b>	<b>\$40,400,000</b>	<b>\$48,500,000</b>
Income Conclusion \$/Unit	\$123,926/Unit	\$148,773/Unit
Income Conclusion \$/SF (NRA)	\$162.03/SF	\$194.52/SF

## INTRODUCTION

The Sales Comparison Approach is based on the principle of substitution, which asserts that a buyer would not pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by applying transactional and property adjustments to bracket the subject property within an appropriate unit value comparison.

## UNIT OF COMPARISON

The most relevant unit of comparison is the price per unit. This indicator best reflects the analysis used by buyers and sellers in this market for improved properties with similar design and utility.

## COMPARABLE SELECTION

We completed a thorough search for similar improved sales in terms of property type, location, physical characteristics, and date of sale. In selecting comparables, emphasis was placed on confirming recent improved sales of properties that match the highest and best use, and buyer/seller profile of the subject property. The sale comparables are located in the subject's region and range from 1.0 to 4.6 miles from the subject site, with an average distance of 3.0 miles. Overall, the sales selected represent the best comparables available for this analysis.

The appraiser made extensive attempts to locate recently closed sales as well as active listings within the marketplace. For closed sales, we searched the databases of CoStar, Real Capital Analytics and Reis, all of which monitor the Subject's metro area for new sales data. While there are a handful of recent sales that are comparable to the Subject not used in this report, Texas is a non-disclosure state and sales prices are not made public. We attempted to confirm information of numerous comparable sales with knowledgeable parties, but were unable to uncover reliable data for several of these sales. Given the significantly reduced sales volume over the past year, there are few pending sales available to the appraisers, and brokers/buyers/sellers are typically not willing to share this information with unrelated parties. The sales (whether active, pending, or closed) presented in the sales comparison approach are the most appropriate and relevant and comparable sales available to the appraisers for this analysis.

## ADJUSTMENT PROCESS

Quantitative adjustments are made to the comparable sales. The following adjustments or general market trends were considered for the basis of valuation.

### Transactional Adjustments

Dollar adjustments to the comparable sales were considered and made when warranted for transactional adjustments in the sequence shown below:

Property Rights Transferred	The valuation of the subject site was completed on a leased fee basis. If warranted, leased fee, leasehold and/or partial interest sales were adjusted accordingly.
Financing Terms	The subject property was valued on a cash equivalent basis. Adjustments were made to the comparables involving financing terms atypical of the marketplace.
Conditions of Sale	This adjustment accounts for extraordinary motivation on the part of the buyer or seller often associated with distressed sales.
Expenditures After Purchase	Adjustments were applied if physical conditions warranted expenditures on the part of the buyer to bring the comparable up to functional standards. Most often this adjustment accounts for costs associated with deferred maintenance.

## Market Conditions

Market conditions adjustments were based on a review of historical sale data, market participant interviews and review of current versus historical pricing. As previously discussed, and summarized in the table below, the Federal Reserve began a series of consecutive interest rate increases that started in March 2022.

FEDERAL RESERVE POLICY DECISIONS				
DATE	RATE INCREASE	TARGET FEDERAL FUNDS RATE		
Pre-March 2022	-	0.00%	to	0.25%
Mar-22	25 bps	0.25%	to	0.50%
May-22	50 bps	0.75%	to	1.00%
Jun-22	75 bps	1.50%	to	1.75%
Jul-22	75 bps	2.25%	to	2.50%
Sep-22	75 bps	3.00%	to	3.25%
Nov-22	75 bps	3.75%	to	4.00%
Dec-22	50 bps	4.25%	to	4.50%
Feb-23	25 bps	4.50%	to	4.75%
Mar-23	25 bps	4.75%	to	5.00%
May-23	25 bps	5.00%	to	5.25%
Jul-23	25 bps	5.25%	to	5.50%

As of the date of this report, the federal fund rate has increased over 400 basis points (bps) within less than a year, with the most recent increase of 25 bps in July 2023, and is currently 5.25%-5.50%. However, the Federal Reserve Chairman, Jerome Powell, commented on possible smaller interest rate increases and/or pauses are likely ahead in the current year (2023) if inflation can be tamed. The multifamily market was seeing steady growth from year to year prior to early 2022.

However, as a result of the recent Federal Reserve action and sharp interest rate increases, treasury yields and mortgage rates have sharply increased and the velocity of the changes have forced the market into a transition. Interviews with numerous multifamily brokers indicate a relatively stagnant market at this time as sellers are reluctant to lower their asking price significantly to offset the impact of increased interest rates, and prospective buyers are finding it challenging to make sound investments at the prices seen in previous months as a result of the significantly higher cost of debt. Brokers have stated that the market has started to slow down and stall given the change in fundamentals. And the lack of current listings and recent sales comparables have made it challenging to confirm and/or quantify the impacts from rising inflation as it relates to mortgage interest rates. This is typical in real estate as sales are a lagging economic indicator. The change in the interest rate environment has negatively impacted many commercial real estate sectors. However, the magnitude of the impact on the multifamily sector is uncertain at this time. In our analysis, we have included some sales comparables that transacted when interest rates were generally lower and thus also resulted in lower capitalization rates.

All of the comparable sales occurred within six months of the effective date. However, as discussed in the income approach, interest rates have continued to

rise in the second half of 2023 which has led to further cap rate increased and a decline in market value. As a result we have applied a downward adjustment to the sales comparables which occurred in the summer of 2023.

Location

The location adjustment considers 1) the strength of the property's submarket and 2) the surrounding uses of the comparable as compared to the subject property.

**Property Adjustments**

Quantitative percentage adjustments are also made for location and physical characteristics such as size, age, site and parking ratios, access, exposure, quality and condition, as well as other applicable elements of comparison. Where possible the adjustments applied are based on paired data or other statistical analysis. It should be stressed that the adjustments are subjective in nature and are meant to illustrate our logic in deriving a value opinion for the subject property.

**PRESENTATION**

The following Sales Summation Table, Location Map and datasheets summarize the improved sales data. Following these items, the comparable sales are adjusted for applicable elements of comparison and the opinion of value by the Sales Comparison Approach is concluded.

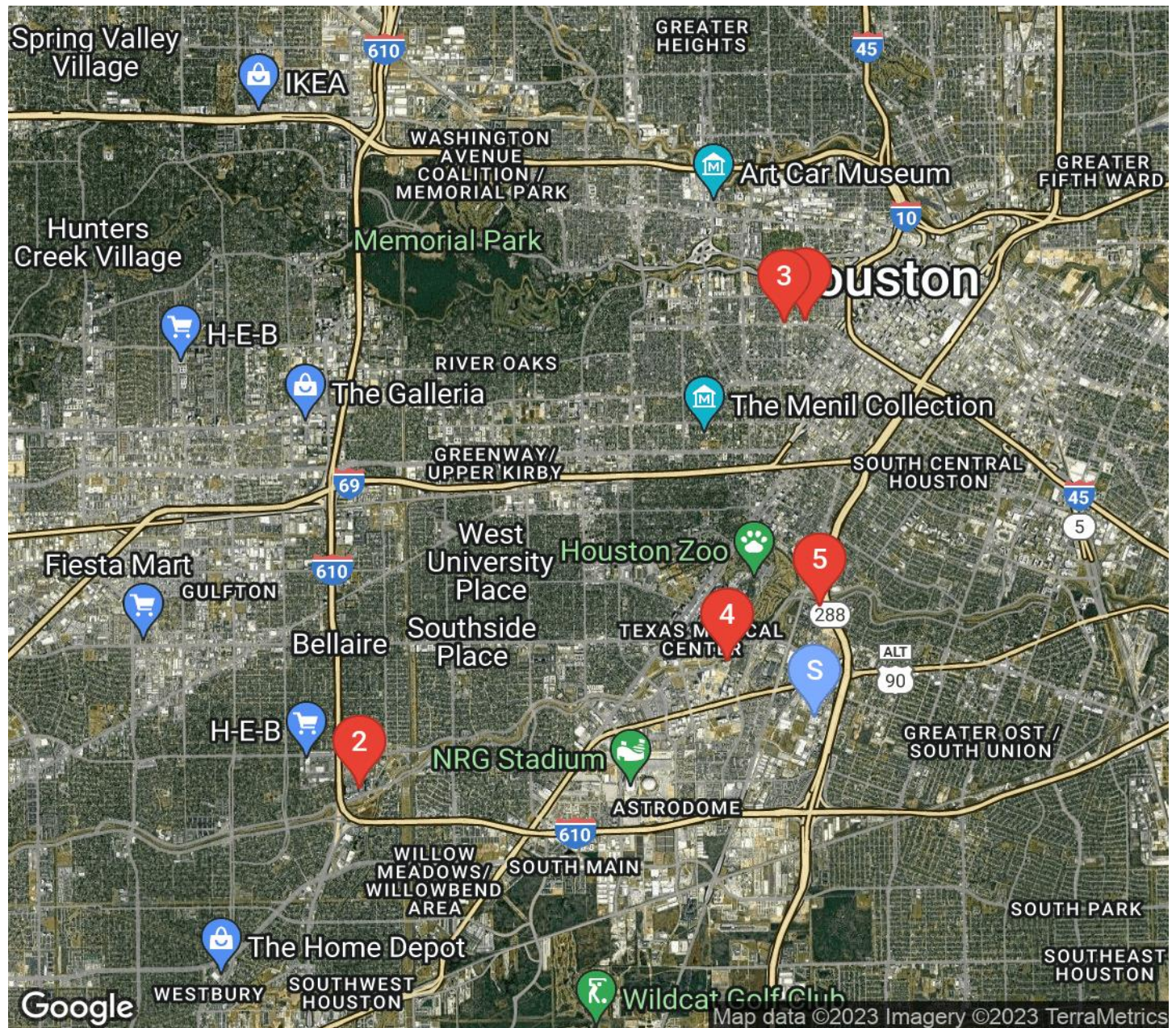


## IMPROVED SALES SUMMATION TABLE

COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
<b>Name</b>	Virtuo Med Center Apartments	Dolce Midtown	The Meritage	Alta West Gray	Adenine Apartments	Verdir at Hermann Park
<b>Address</b>	7110 Ardmore Street	180 West Gray Street	4550 N Braeswood Boulevard	299 West Gray Street	1755 Wyndale Street	2380 S MacGregor Way
<b>City</b>	Houston	Houston	Houston	Houston	Houston	Houston
<b>State</b>	TX	TX	TX	TX	TX	TX
<b>Zip</b>	77054	77019	77096	77006	77030	77021
<b>County</b>	Harris	Harris	Harris	Harris	Harris	Harris
PHYSICAL INFORMATION						
<b>Project Design</b>	Mid/High-Rise Housing	Mid-Rise	Mid-Rise	Mid-Rise	Mid-Rise	Mid-Rise
<b>NRA (SF)</b>	249,335	166,819	219,376	136,495	272,047	218,401
<b>Units</b>	326	201	240	166	265	224
<b>Average Unit SF</b>	765	829	914	822	1,026	975
<b>Density</b>	51.0	118.3	75.7	158.7	61.8	84.1
<b>Land Area (AC)</b>	6.4	1.7	3.2	1.0	4.3	2.7
<b>Land Area (SF)</b>	278,452	74,021	138,085	45,542	186,872	116,048
<b>Year Built</b>	2022	2019	2007	2017	2015	2004
UNIT MIX DETAILS						
<b>Studio</b>	21%	0%	0%	0%	5%	0%
<b>1 Bed</b>	56%	73%	57%	80%	54%	62%
<b>2 Bed</b>	23%	27%	37%	20%	41%	35%
<b>3+ Bed</b>	0%	0%	7%	0%	0%	4%
<b>Average Unit (SF)</b>	765	829	914	822	1,026	975
SALE INFORMATION						
<b>Date</b>		11/15/2023	11/2/2023	7/21/2023	6/15/2023	11/1/2023
<b>Status</b>		Recorded	Recorded	Recorded	Recorded	Pending
<b>Sale Conditions</b>		Arms-Length	Arms-Length	Arms-Length	Arms-Length	Arms-Length
<b>Parcel Number</b>		1349470010001	992450000001	1345370010001	1347520010001	1233700010001
<b>Recording Number</b>		2023-435685	2023-419747	2023281138	20230274748	N/A
<b>Rights Transferred</b>		Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee
<b>Transaction Price</b>		\$35,577,000	\$43,700,000	\$35,250,000	\$55,000,000	\$40,500,000
<b>Transaction \$/Unit</b>		\$177,000	\$182,083	\$212,349	\$207,547	\$180,804
<b>Transaction \$/SF NRA</b>		\$213	\$199	\$258	\$202	\$185
<b>Analysis Price</b>		\$36,897,000	\$43,700,000	\$35,250,000	\$55,000,000	\$40,500,000
<b>Expenses % PGI</b>		48%	50%	49%	49%	49%
<b>Expenses % EGI</b>		52%	53%	53%	52%	52%
<b>NOI/Unit</b>	\$8,919	\$11,108	\$8,982	\$10,160	\$9,889	\$9,165
<b>NOI/SF NRA</b>	\$11.66	\$13.38	\$9.83	\$12.36	\$9.63	\$9.40
<b>Occupancy</b>	70.0%	60.0%	98.0%	92.8%	97.0%	91.0%
<b>Capitalization Rate</b>		6.05%	4.93%	4.78%	4.76%	5.07%
<b>PGIM</b>		7.48	9.06	9.07	9.35	8.86
<b>EGIM</b>		8.00	9.59	9.81	10.00	9.48



## SALES LOCATION MAP



## COMPARABLE KEY

COMP	DISTANCE	NAME	ADDRESS	OCC.	SALE DATE	OAR	\$/UNIT
SUBJECT	-	Virtuo Med Center Apartments	7110 Ardmore Street, Houston, TX	70.0%	-	-	\$155,000
No. 1	4.1 Miles	Dolce Midtown	180 West Gray Street, Houston, TX	60.0%	11/15/2023	6.05%	\$177,000
No. 2	4.6 Miles	The Meritage	4550 N Braeswood Boulevard, Houston, TX	98.0%	11/2/2023	4.93%	\$182,083
No. 3	4.1 Miles	Alta West Gray	299 West Gray Street, Houston, TX	92.8%	7/21/2023	4.78%	\$212,349
No. 4	1.0 Miles	Adenine Apartments	1755 Wyndale Street, Houston, TX	97.0%	6/15/2023	4.76%	\$207,547
No. 5	1.2 Miles	Verdir at Hermann Park	2380 S MacGregor Way, Houston, TX	91.0%	11/1/2023	5.07%	\$180,804



**COMPARABLE 1****LOCATION INFORMATION**

Name	Dolce Midtown
Address	180 West Gray Street
City, State, Zip Code	Houston, TX, 77019
County	Harris
MSA	Houston-The Woodlands-Sugar Land, TX
APN	1349470010001 & 1349470020001

**SALE INFORMATION**

Buyer	West Gray Street Owner LLC
Seller	DLC At Midtown LLC
Transaction Date	11/15/2023
Transaction Status	Recorded
Transaction Price	\$35,577,000
Analysis Price	\$36,897,000
Recording Number	2023-435685
Rights Transferred	Leased Fee
Financing	Conventional
Conditions of Sale	Arms-Length

**PHYSICAL INFORMATION**

Project Type	Mid-Rise
Project Size NRA	166,819 SF
Units	201
No. of Buildings/Floors	2 Buildings / 6 Floors
Year Built	2019
Quality / Condition	Good / Good
Appeal	Good
Building Structure	Frame
Site Size	1.7 Acres (74,021 SF)
Average Unit Size	829 SF
Density	118.3

Project Amenities	BBQ/Picnic Area, Business Center, Clubhouse, Dog Park, Electronic Gate, Elevators, Fitness
Unit Amenities	Balcony/Patio, Ceiling Fans, Complete Appliance Package, Garbage Disposal,

**UNIT MIX**

NO. UNITS	AVG SIZE	DESCRIPTION
75	713	1 BD / 1 BA
16	714	1 BD / 1 BA
15	810	1 BD / 1 BA
40	810	1 BD / 1 BA
35	1,024	2 BD / 2 BA
10	1,049	2 BD / 2 BA
10	1,104	2 BD / 2 BA

**DOLCE MIDTOWN****OPERATING INCOME**

	TOTAL	PER UNIT	PER SF
Rent Income	\$4,582,800	\$22,800	\$27.47
Other Income	\$351,750	\$1,750	\$2.11
Gross Income	\$4,934,550	\$24,550	\$29.58
Vacancy @ 7.0%	(\$320,796)	(\$1,596)	(\$1.92)
Effective Gross Income	\$4,613,754	\$22,954	\$27.66
Expenses	(\$2,381,118)	(\$11,846)	(\$14.27)
Net Operating Income	\$2,232,636	\$11,108	\$13.38
Occupancy at Sale	60.0%		
Expense % of PGI / EGI		48%	52%

**ANALYSIS INFORMATION**

Price/Unit		\$177,000
Adjusted Price/Unit		\$165,210
Capitalization Rate		6.05%
Equity Div. / PGIM / EGIM	-	7.48
		8.00

**CONFIRMATION**

Name	Confidential
Company	Confidential
Source	Confidential
Date / Phone Number	11/30/2023
	Confidential

**REMARKS**

Dolce Midtown is a podium build midrise in the Montrose area of Houston that was built in 2019. The property was purchased by a joint venture between RailField and Artemis Partners. According to the confirming source the property never reached stabilized occupancy and had declined to 60% by the time of sale. We have projected a lease up cost / profit of \$1,320,000 and applied it to the reported sales price to reflect the properties value at stabilization. The confirming source stated that there was no true in place cap rate due to low occupancy but the buyer was underwriting a stabilized cap rate north of 6.0%. Our proforma cap rate is based on market rent and vacancy with tax and insurance adjusted expenses with reserves.

**COMPARABLE 2****LOCATION INFORMATION**

Name	The Meritage
Address	4550 N Braeswood Boulevard
City, State, Zip Code	Houston, TX, 77096
County	Harris
MSA	Houston-The Woodlands-Sugar Land, TX
APN	992450000001

**SALE INFORMATION**

Buyer	LSC Meritage DST
Seller	NREA Meritage Owner II LLC
Transaction Date	11/2/2023
Transaction Status	Recorded
Transaction Price	\$43,700,000
Analysis Price	\$43,700,000
Recording Number	2023-419747
Rights Transferred	Leased Fee
Financing	Conventional
Conditions of Sale	Arms-Length

**PHYSICAL INFORMATION**

Project Type	Mid-Rise
Project Size NRA	219,376 SF
Units	240
No. of Buildings/Floors	1 Buildings / 5 Floors
Year Built	2007
Parking Spaces / Ratio	345 (1.4/Unit)
Quality / Condition	Average / Average
Appeal	Average
Building Structure	Wood
Site Size	3.2 Acres (138,085 SF)
Zoning	N/A
Average Unit Size	914 SF
Density	75.7

Project Amenities	BBQ/Picnic Area, Business Center, Clubhouse, Electronic Gate, Fitness Center, On-site
Unit Amenities	Air Conditioning, Balcony/Patio, Ceiling Fans, Complete Appliance Package, Dishwasher,

**UNIT MIX**

NO. UNITS	AVG SIZE	DESCRIPTION
16	690	1 BD / 1 BA
4	707	1 BD / 1 BA
4	723	1 BD / 1 BA
4	751	1 BD / 1 BA
4	757	1 BD / 1 BA
8	759	1 BD / 1 BA
12	762	1 BD / 1 BA
64	765	1 BD / 1 BA
20	785	1 BD / 1 BA
8	921	2 BD / 2 BA
16	991	2 BD / 2 BA
4	994	2 BD / 2 BA
12	1,004	2 BD / 2 BA
16	1,056	2 BD / 2 BA
4	1,075	2 BD / 2 BA
8	1,128	2 BD / 2 BA
20	1,228	2 BD / 2 BA
12	1,413	3 BD / 2 BA
4	1,431	3 BD / 2 BA

**THE MERITAGE****OPERATING INCOME**

	TOTAL	PER UNIT	PER SF
Rent Income	\$4,464,000	\$18,600	\$20.35
Other Income	\$360,000	\$1,500	\$1.64
Gross Income	\$4,824,000	\$20,100	\$21.99
Vacancy @ 6.0%	(\$267,840)	(\$1,116)	(\$1.22)
Effective Gross Income	\$4,556,160	\$18,984	\$20.77
Expenses	(\$2,400,440)	(\$10,002)	(\$10.94)
Net Operating Income	\$2,155,720	\$8,982	\$9.83
Occupancy at Sale	98.0%		
Expense % of PGI / EGI		50%	53%

**ANALYSIS INFORMATION**

Price/Unit		\$182,083
Adjusted Price/Unit		\$163,875
Capitalization Rate		4.93%
Equity Div. / PGIM / EGIM	-	9.06 9.59

**CONFIRMATION**

Name	Confidential
Company	Confidential
Source	Confidential
Date / Phone Number	11/7/2023 Confidential

**REMARKS**

The Meritage is a 240 unit multifamily property in Meyerland that sold for \$43,700,000. The buyer will reportedly convert the property to PFC. The in place cap rate was reported to be 4.75% in place. The proforma cap rate was calculated by the appraiser using market rent and vacancy with tax and insurance adjusted expenses with reserves. The proforma cap rate does not reflect the proposed PFC structure.



## COMPARABLE 3

## LOCATION INFORMATION

Name	Alta West Gray
Address	299 West Gray Street
City, State, Zip Code	Houston, TX, 77006
County	Harris
MSA	Houston-The Woodlands-Sugar Land, TX
APN	1345370010001

## SALE INFORMATION

Buyer	FFP West Gray, LLC
Seller	HC2 Alta West Gray LP
Transaction Date	07/21/2023
Transaction Status	Recorded
Transaction Price	\$35,250,000
Analysis Price	\$35,250,000
Recording Number	2023281138
Rights Transferred	Leased Fee
Conditions of Sale	Arms-Length

## PHYSICAL INFORMATION

Project Type	Mid-Rise
Project Size NRA	136,495 SF
Units	166
Year Built	2017
Quality / Condition	Good / Good
Appeal	Good
Building Structure	Brick/Frame
Site Size	1.0 Acres (45,542 SF)
Average Unit Size	822 SF
Density	158.7

Project Amenities	BBQ/Picnic Area, Business Center, Clubhouse, Elevators, Fitness Center, Swimming Pool
Unit Amenities	Balcony/Patio, Ceiling Fans, Complete Appliance Package, Microwave, Parking

## UNIT MIX

NO. UNITS	AVG SIZE	DESCRIPTION
23	642	1 BD / 1 BA
22	694	1 BD / 1 BA
5	699	1 BD / 1 BA
60	747	1 BD / 1 BA
1	758	1 BD / 1 BA
1	772	1 BD / 1 BA
5	785	1 BD / 1 BA
10	789	1 BD / 1 BA
1	845	1 BD / 1 BA
5	846	1 BD / 1 BA
5	1,144	2 BD / 2 BA
10	1,174	2 BD / 2 BA
6	1,223	2 BD / 2 BA
12	1,244	2 BD / 2 BA



## ALTA WEST GRAY

## OPERATING INCOME

	TOTAL	PER UNIT	PER SF
Rent Income	\$3,635,400	\$21,900	\$26.63
Other Income	\$249,000	\$1,500	\$1.82
Gross Income	\$3,884,400	\$23,400	\$28.46
Vacancy @ 8.0%	(\$290,832)	(\$1,752)	(\$2.13)
Effective Gross Income	\$3,593,568	\$21,648	\$26.33
Expenses	(\$1,907,044)	(\$11,488)	(\$13.97)
Net Operating Income	\$1,686,524	\$10,160	\$12.36
Occupancy at Sale	92.8%		
Expense % of PGI / EGI		49%	53%

## ANALYSIS INFORMATION

Price/Unit	\$212,349
Adjusted Price/Unit	\$162,447
Capitalization Rate	4.78%
Equity Div. / PGIM / EGIM	- 9.07 9.81

## CONFIRMATION

Name	Confidential
Company	Confidential
Source	Knowledgeable Third Party
Date / Phone Number	08/4/2023 Confidential

## REMARKS

Alta West Gray is a class A multifamily property in Montrose that sold for a reported \$35,250,000 per unit. The property includes typical class A amenities and finishes with stainless steel appliances, vinyl wood floors, and granite counter tops. The in place cap rate was reported to be 4.20%. The proforma cap rate was calculated by the appraiser using market rent and vacancy with tax and insurance adjusted expenses with reserves.

## COMPARABLE 4

## LOCATION INFORMATION

Name	Adenine Apartments
Address	1755 Wyndale Street
City, State, Zip Code	Houston, TX, 77030
County	Harris
MSA	Houston-The Woodlands-Sugar Land, TX
APN	1347520010001

## SALE INFORMATION

Buyer	1755 Wyndale Houston Llc
Seller	Mcref Premier Llc
Transaction Date	06/15/2023
Transaction Status	Recorded
Transaction Price	\$55,000,000
Analysis Price	\$55,000,000
Recording Number	20230274748
Rights Transferred	Leased Fee
Financing	Conventional
Conditions of Sale	Arms-Length

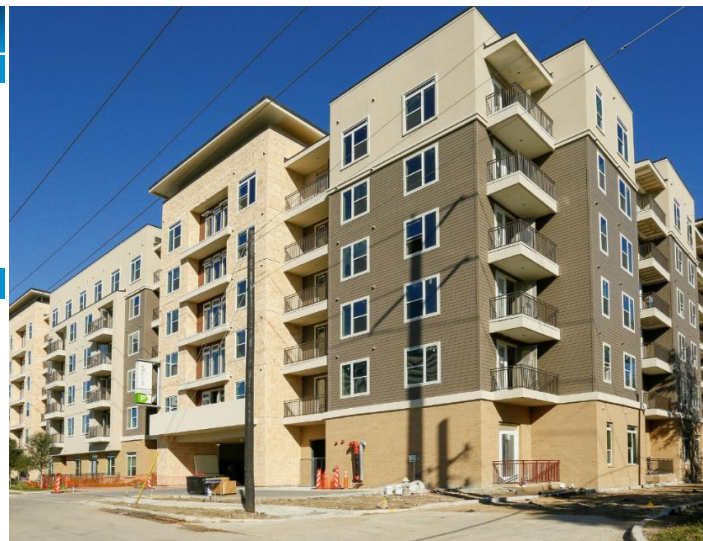
## PHYSICAL INFORMATION

Project Type	Mid-Rise
Project Size NRA	272,047 SF
Units	265
No. of Buildings/Floors	1 Buildings / 6 Floors
Year Built	2015
Quality / Condition	Good / Good
Appeal	Good
Building Structure	Wood
Site Size	4.3 Acres (186,872 SF)
Average Unit Size	1,026 SF
Density	61.8

Project Amenities	Business Center, Clubhouse, Elevators, Fitness Center, On-site Manager, Swimming
Unit Amenities	Air Conditioning, Ceiling Fans, Dishwasher, Garbage Disposal, Microwave, Parking

## UNIT MIX

NO. UNITS	AVG SIZE	DESCRIPTION
13	553	STUDIO / 1 BA
143	846	1 BD / 1 BA
109	1,320	2 BD / 2 BA



## ADENINE APARTMENTS

## OPERATING INCOME

	TOTAL	PER UNIT	PER SF
Rent Income	\$5,485,500	\$20,700	\$20.16
Other Income	\$397,500	\$1,500	\$1.46
Gross Income	\$5,883,000	\$22,200	\$21.62
Vacancy @ 7.0%	(\$383,985)	(\$1,449)	(\$1.41)
Effective Gross Income	\$5,499,015	\$20,751	\$20.21
Expenses	(\$2,878,350)	(\$10,862)	(\$10.58)
Net Operating Income	\$2,620,665	\$9,889	\$9.63
Occupancy at Sale	97.0%		
Expense % of PGI / EGI		49%	52%

## ANALYSIS INFORMATION

Price/Unit		\$207,547
Adjusted Price/Unit		\$149,434
Capitalization Rate		4.76%
Equity Div. / PGIM / EGIM	-	9.35 10.00

## CONFIRMATION

Name	Confidential
Company	Confidential
Source	Confidential
Date / Phone Number	08/18/2023 Confidential

## REMARKS

Adenine Apartments (fka Modera Flats) is six story multifamily property in the Medical Center. Unit finishes include stainless steel appliances, vinyl wood, and granite countertops. The proforma cap rate was calculated by the appraiser using market rent and vacancy with tax and insurance adjusted expenses with reserves.

**COMPARABLE 5****LOCATION INFORMATION**

Name	Verdir at Hermann Park
Address	2380 S MacGregor Way
City, State, Zip Code	Houston, TX, 77021
County	Harris
MSA	Houston-The Woodlands-Sugar Land, TX
APN	1233700010001

**SALE INFORMATION**

Buyer	N/A
Seller	Houston Hermann Park Investors, LLC
Transaction Date	11/1/2023
Transaction Status	Pending
Transaction Price	\$40,500,000
Analysis Price	\$40,500,000
Recording Number	N/A
Rights Transferred	Leased Fee
Financing	Conventional
Conditions of Sale	Arms-Length

**PHYSICAL INFORMATION**

Project Type	Mid-Rise
Project Size NRA	218,401 SF
Units	224
No. of Buildings/Floors	1 Buildings / 4 Floors
Year Built	2004
Quality / Condition	Average / Average
Appeal	Average
Building Structure	Wood
Site Size	2.7 Acres (116,048 SF)
Average Unit Size	975 SF
Density	84.1

Project Amenities	BBQ/Picnic Area, Business Center, Clubhouse, Electronic Gate, Elevators, Fitness Center,
Unit Amenities	Balcony/Patio, Ceiling Fans, Complete Appliance Package, Microw ave, Parking

**UNIT MIX**

NO. UNITS	AVG SIZE	DESCRIPTION
32	670	1 BD / 1 BA
16	712	1 BD / 1 BA
48	778	1 BD / 1 BA
1	897	1 BD / 1 BA
36	985	1 BD / 1 BA
1	1,007	1 BD / 1 BA
4	1,066	1 BD / 1 BA
23	1,177	2 BD / 2 BA
23	1,202	2 BD / 2 BA
4	1,227	2 BD / 2 BA
12	1,237	2 BD / 2 BA
12	1,273	2 BD / 2 BA
4	1,363	2 BD / 2 BA
8	1,425	3 BD / 2 BA

**VERDIR AT HERMANN PARK****OPERATING INCOME**

	TOTAL	PER UNIT	PER SF
Rent Income	\$4,233,600	\$18,900	\$19.38
Other Income	\$336,000	\$1,500	\$1.54
Gross Income	\$4,569,600	\$20,400	\$20.92
Vacancy @ 7.0%	(\$296,352)	(\$1,323)	(\$1.36)
Effective Gross Income	\$4,273,248	\$19,077	\$19.57
Expenses	(\$2,220,180)	(\$9,912)	(\$10.17)
Net Operating Income	\$2,053,068	\$9,165	\$9.40
Occupancy at Sale	91.0%		
Expense % of PGI / EGI		49%	52%

**ANALYSIS INFORMATION**

Price/Unit	\$180,804
Adjusted Price/Unit	\$145,999
Capitalization Rate	5.07%
Equity Div. / PGIM / EGIM	- 8.86 9.48

**CONFIRMATION**

Name	Confidential
Company	Confidential
Source	Confidential
Date / Phone Number	11/30/2023 Confidential

**REMARKS**

Verdir at Hermann Park is a first generation value add multifamily property near the Texas Medical Center. The property is currently under contract for \$40,500,000 and has an assumable 2.15% HUD loan which reportedly led to a lower cap rate. The reported in place cap rate was reported to be approximately 4.10%. The proforma cap rate was calculated by the appraiser using market rent and vacancy with tax and insurance adjusted expense with reserves.

## IMPROVED SALES ADJUSTMENT TABLE

COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
<b>Name</b>	Virtuo Med Center Apartments	Dolce Midtown	The Meritage	Alta West Gray	Adenine Apartments	Verdir at Hermann Park
<b>Address</b>	7110 Ardmore Street	180 West Gray Street	4550 N Braeswood Boulevard	299 West Gray Street	1755 Wyndale Street	2380 S MacGregor Way
<b>City, State</b>	Houston, TX	Houston, TX	Houston, TX	Houston, TX	Houston, TX	Houston, TX
<b>NRA</b>	249,335	166,819	219,376	136,495	272,047	218,401
<b>Units</b>	326	201	240	166	265	224
<b>Average Unit SF</b>	765	829	914	822	1,026	975
<b>Density</b>	51.0	118.3	75.7	158.7	61.8	84.1
<b>Land Area (AC)</b>	6.4	1.7	3.2	1.0	4.3	2.7
<b>Land Area (SF)</b>	278,452	74,021	138,085	45,542	186,872	116,048
<b>Year Built</b>	2022	2019	2007	2017	2015	2004
<b>SALE INFORMATION</b>						
<b>Date</b>		11/15/2023	11/2/2023	7/21/2023	6/15/2023	11/1/2023
<b>Status</b>		Recorded	Recorded	Recorded	Recorded	Pending
<b>Rights Transferred</b>		Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee
<b>Occupancy</b>	70.0%	60.0%	98.0%	92.8%	97.0%	91.0%
<b>Capitalization Rate</b>		6.1%	4.9%	4.8%	4.8%	5.1%
<b>NOI/Unit</b>		\$11,108	\$8,982	\$10,160	\$9,889	\$9,165
<b>NOI/SF NRA</b>		\$13.38	\$9.83	\$12.36	\$9.63	\$9.40
<b>\$/Unit</b>		\$177,000	\$182,083	\$212,349	\$207,547	\$180,804
<b>\$/SF NRA</b>		\$213.27	\$199.20	\$258.25	\$202.17	\$185.44
<b>Transaction Price</b>		\$35,577,000	\$43,700,000	\$35,250,000	\$55,000,000	\$40,500,000
<b>TRANSACTIONAL ADJUSTMENTS</b>						
<b>Property Rights</b>		0%	0%	0%	0%	0%
<b>Financing</b>		0%	0%	0%	0%	-5%
<b>Conditions of Sale</b>		0%	0%	0%	0%	0%
<b>Expenditures After the Sale</b>		0%	0%	0%	0%	0%
<b>Transactional Adjustments</b>		\$1,320,000	\$0	\$0	\$0	(\$2,025,000)
<b>Analysis Price</b>		<b>\$36,897,000</b>	<b>\$43,700,000</b>	<b>\$35,250,000</b>	<b>\$55,000,000</b>	<b>\$40,500,000</b>
<b>Market Conditions<sup>1</sup></b>		0%	0%	-10%	-10%	0%
<b>Subtotal Transactional Adj Price</b>		\$183,567	\$182,083	\$191,114	\$186,792	\$171,763
<b>PROPERTY ADJUSTMENTS</b>						
<b>Location</b>		-10%	-5%	-10%	-5%	-5%
<b>Quality</b>		5%	0%	0%	0%	-5%
<b>Condition</b>		0%	0%	0%	0%	0%
<b>Appeal</b>		0%	0%	0%	0%	0%
<b>Unit Mix/Unit Size</b>		-5%	-10%	-5%	-15%	-10%
<b>Age</b>		0%	5%	0%	0%	5%
<b>Number Of Units</b>		0%	0%	0%	0%	0%
<b>Density</b>		0%	0%	0%	0%	0%
<b>Project Amenities</b>		0%	0%	0%	0%	0%
<b>Subtotal Property Adjustment</b>		-10%	-10%	-15%	-20%	-15%
<b>TOTAL ADJUSTED PRICE</b>		<b>\$165,210</b>	<b>\$163,875</b>	<b>\$162,447</b>	<b>\$149,434</b>	<b>\$145,999</b>
<b>STATISTICS</b>	<b>UNADJUSTED</b>	<b>ADJUSTED</b>				
<b>LOW</b>	\$177,000	\$145,999				
<b>HIGH</b>	\$212,349	\$165,210				
<b>MEDIAN</b>	\$182,083	\$162,447				
<b>AVERAGE</b>	\$191,957	\$157,393				

<sup>1</sup> Market Conditions Adjustment - Compound annual change in market conditions: 0%

Date of Value (for adjustment calculations): 11/28/23



Comparable 1 was reportedly below stabilized occupancy prior to sale. We have applied a lease up cost plus profit adjustment based on the property's reported occupancy has sale. We note that comparable 1 represents podium style construction and as discussed below this property is in a significantly superior location that the subject, resulting in a lower lease up cost deduction.

Comparable 2 was sold as a market rent property and was priced by buyers assuming market rent operations. However, the buyer was able to secure an agreement to convert the property to a PFC structure whereby the property will purchased by the Houston Housing Authority and leased back to the buyer with rent set as a onetime payment of the purchase price. The property will operate with some affordable restrictions in exchange for being 100% exempt from property taxes. As a result, the buyer will be able to achieve an effective return greater than the property could have operating under typical operations. According to the listing broker this had a positive impact on the subject sales price. However, most buyers do not have the capacity to be awarded a PFC contract and therefore a typical PFC buyer would not pay more or less than the market rent value the property. This makes it difficult to quantify any adjustment for conditions to sale for the buyers PFC conversion. Therefore, we have applied no adjustment but given the sale secondary consideration in our value conclusion.

Comparable 5 is under contract to be sold with an assumable 2.15% HUD loan which is significantly below current interest rates which are reportedly around 6.0% based interviews with market participants. Therefore, we have applied a downward 5% adjustment for financing.

### Location

The subject and all of the sales comparables are located within the Houston Urban Core within a reasonable distance to Downtown Houston. This makes it difficult to analysis these properties based on annual median income or area median home value given the overlap between the subject and comparable areas. Therefore, we have analyzed each properties walk score, transit score and bike score:

WALK SCORE - SALES COMPARABLES				
Property	Address	Walk Scroe	Transit Score	Bike Score
Dolce Midtow n	180 West Gray Street	83	72	60
The Meritage	4550 N Braesw ood Boulevard	52	45	69
Alta West Gray	299 West Gray Street	86	64	63
Adenine Apartments	1755 Wyndale Street	29	68	79
Verdir at Hermann Park	2380 S MacGregor Way	46	47	84
Virtuo Med Center Apartments	7110 Ardmores Street	39	41	57

Comparables 1 and 3 are located in the Montrose / Midtown area and have significantly higher walk scores than the subject due to the high concentration of supporting retail and restaurants in that area. Additionally, according to Costar, the Neartown / River Oaks submarket where these properties are located has an average rent of \$1,915 per month vs the Medical Cetner / West University submarket where the subject and remaining comparables are located at \$1,580 per month. Therefore, we have applied a downward 10% location adjustment to these sales.

Comparable 2 is located in Southwest Houston with strong access to the Meyerland Plaza shopping center as well as major retailers along the 610 Loop and has a stronger walk score than the subject. Therefore, it has been adjusted downward 5% for location.

Comparable 4 was analyzed in the rent comparable section of the appraisal. We have applied a downward 5% adjustment due to its superior location in the middle of the Texas Medical Cetner.

Comparable 5 is located north of the subject closer to downtown and the Museum District and has a slightly higher walk score. Therefore, it has been adjusted downward 5% of location.

## SALES COMPARABLE ANALYSIS

### Introduction

The comparable sales indicate an adjusted value range from \$145,999 to \$165,210/Unit, with a median of \$162,447/Unit and an average of \$157,393/Unit. The range of total gross adjustment applied to the comparables was from 20% to 30%, with an average gross adjustment across all comparables of 26%. The level of total adjustment applied to the comparables is considered minimal, an indication that the dataset is applicable to the subject and increases the credibility of the analysis. The adjustment process for each comparable sale is discussed in the following paragraphs.

### Discussion of Adjustments

Comparable 1 (\$165,210/Unit as adjusted) required a total upward transaction adjustment of 4%. This considers the recent transaction date of this sale in November 2023, in addition to other transactional adjustments previously discussed in the Sales Approach (see data sheet for details). This comparable required a total downward adjustment of -10% for property characteristics. Dolce Midtown is a mid-rise complex that includes 201 multi-family units on 1.699 acres. It has a superior location in Houston, approximately 4.1 miles from the subject. Additionally, this comparable has an average unit size of 829 SF, which is similar to the average of the subject's units at 765 SF. Overall, this sale required adjustments for location, quality and unit mix/unit size. The total gross adjustment applied to this comparable was 24%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given primary consideration as a value indicator for the subject.

Comparable 2 (\$163,875/Unit as adjusted) required a total upward transaction adjustment of 0%. This considers the recent transaction date of this sale in November 2023. This comparable required a total downward adjustment of -10% for property characteristics. This mid-rise development is known as The Meritage. It includes 240 apartment units on 3.17 acres. It has a slightly superior location in Houston, approximately 4.6 miles from the subject. Additionally, this comparable has an average unit size of 914 SF, which is similar to the average of the subject's units at 765 SF. Overall, this sale required adjustments for location, unit mix/unit size and age. The total gross adjustment applied to this comparable was 20%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given secondary consideration as a value indicator for the subject.

Comparable 3 (\$162,447/Unit as adjusted) required a total downward transaction adjustment of -10%. This considers the transaction date of this sale approximately 5 months ago in July 2023. This comparable required a total downward adjustment of -15% for property characteristics. Alta West Gray is a mid-rise apartment complex that includes 166 dwelling units on 1.046 acres. It has a superior location in Houston, approximately 4.1 miles from the subject. Additionally, this comparable has an average unit size of 822 SF, which is similar to the average of the subject's units at 765 SF. Overall, adjustments to this sale are applied for differences in location and unit mix/unit size. The total gross adjustment applied to this comparable was 25%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given secondary consideration as a value indicator for the subject.

Comparable 4 (\$149,434/Unit as adjusted) required a total downward transaction adjustment of -10%. This considers the transaction date of this sale approximately 6 months ago in June 2023. This comparable required a total downward adjustment of -20% for property characteristics. This mid-rise development is known as Adenine Apartments. It includes 265 apartment units on 4.29 acres. It has a slightly superior location in Houston, approximately 1.0 miles from the subject. Additionally, this comparable has an average unit size of 1,026 SF,

which is slightly larger than the average of the subject's units at 765 SF. Overall, adjustments to this sale are applied for differences in location and unit mix/unit size. The total gross adjustment applied to this comparable was 30%. The substantial level of gross adjustments required for this comparable was justified due to the comparable's varying attributes. Considering these factors, this comparable is given primary consideration as a value indicator for the subject.

Comparable 5 (\$145,999/Unit as adjusted) required a total downward transaction adjustment of -5%. This considers the recent transaction date of this sale in November 2023. This comparable required a total downward adjustment of -15% for property characteristics. Verdir at Hermann Park is a mid-rise complex that includes 224 multi-family units on 2.664 acres. It has a slightly superior location in Houston, approximately 1.2 miles from the subject. Additionally, this comparable has an average unit size of 975 SF, which is similar to the average of the subject's units at 765 SF. Overall, we have applied adjustments to this sale for differences in location, quality, unit mix/unit size and age. The total gross adjustment applied to this comparable was 30%. The substantial level of gross adjustments required for this comparable was justified due to the comparable's varying attributes. Considering these factors, this comparable is given secondary consideration as a value indicator for the subject.

### SALES COMPARISON APPROACH CONCLUSION

The comparable sales indicate an adjusted value range from \$145,999 to \$165,210/Unit, with a median of \$162,447/Unit and an average of \$157,393/Unit. Based on the results of the preceding analysis, Comparable 1 (\$165,210/Unit adjusted) and Comparable 4 (\$149,434/Unit adjusted) are given primary consideration for the subject's opinion of value. Comparable 1 was given primary consideration due to being the most recent transaction and comparable 4 was given primary consideration due to being located in the Medical Center. We note that comparables 2 and 5, while also recent, were not given primary consideration due being PFC and having a below market assumable loan.

The following table summarizes the analysis of the comparables, reports the reconciled price per unit value conclusion, and presents the concluded value of the subject property.

SALES COMPARISON APPROACH CONCLUSION (UNIT)								
COMP	TRANSACTION	ADJUSTMENT				NET	GROSS	WEIGHT
	PRICE	TRANSACTIONAL <sup>1</sup>	ADJUSTED	PROPERTY <sup>2</sup>	FINAL	ADJ %	ADJ %	GIVEN
1	\$177,000	4%	\$183,567	-10%	\$165,210	-7%	24%	PRIMARY
2	\$182,083	0%	\$182,083	-10%	\$163,875	-10%	20%	SECONDARY
3	\$212,349	-10%	\$191,114	-15%	\$162,447	-24%	25%	SECONDARY
4	\$207,547	-10%	\$186,792	-20%	\$149,434	-28%	30%	PRIMARY
5	\$180,804	-5%	\$171,763	-15%	\$145,999	-19%	30%	SECONDARY
LOW	\$145,999						AVERAGE	\$157,393
HIGH	\$165,210						MEDIAN	\$162,447
		SUBJECT UNITS		\$/UNIT CONCLUSION		VALUE		
PROSPECTIVE VALUE UPON STABILIZATION		326	x	\$155,000	=	\$50,500,000		
Lease-Up Cost + Profit								(\$8,120,000)
AS-IS MARKET VALUE								\$42,400,000

<sup>1</sup>Cumulative <sup>2</sup>Additive

Rounded to nearest \$100,000

INTRODUCTION

As previously discussed within the Valuation Methods section, the subject is valued as one marketable economic site in this appraisal. Land value is influenced by a number of factors; most prominent of which is development and use potential. These factors, as well as others, are considered in the following analysis.

UNIT OF COMPARISON

The most relevant unit of comparison is the price per square foot. This indicator best reflects the analysis used by buyers and sellers in this market for land with similar utility and zoning in this marketplace.

COMPARABLE SELECTION

A thorough search was made for similar land sales in terms of proximity to the subject, size, location, development potential, and date of sale. In selecting comparables, emphasis was placed on confirming recent sales of commercial sites that are similar to the subject property in terms of location and physical characteristics. Overall, the sales selected represent the best comparables available for this analysis.

ADJUSTMENT PROCESS

Quantitative adjustments are made to the comparable sales. The following adjustments or general market trends were considered for the basis of valuation.

Transactional Adjustments

Dollar adjustments to the comparable sales were considered and made when warranted for transactional adjustments in the sequence shown below:

Property Rights Transferred	The valuation of the subject site was completed on a fee simple basis. If warranted, leased fee, leasehold and/or partial interest land sales were adjusted accordingly.
Financing Terms	The subject site was valued on a cash equivalent basis. Adjustments were made to the comparables involving financing terms atypical of the marketplace.
Conditions of Sale	This adjustment accounts for extraordinary motivation on the part of the buyer or seller often associated with distressed sales and/or assemblages.
Expenditures After Purchase	Adjustments were applied if site conditions warranted expenditures on the part of the buyer to create a buildable site. Examples include costs for razing pre-existing structures, general site clearing and/or mitigation of environmental issues.
Market Conditions	Market conditions adjustments were based on a review of historical sale data, market participant interviews and review of current versus historical pricing. Based on our research, the following table summarizes the market conditions adjustment applied in this analysis.

MARKET CONDITIONS ADJUSTMENT			
Per Year As Of	November 2023	(As-Is)	0%

The market has exhibited value stability during the time from the oldest sale date up through the effective valuation date; therefore a market conditions adjustment is not warranted.

Property Adjustments

Quantitative percentage adjustments are also made for location and physical characteristics such as size, shape, access, exposure, topography, zoning and overall utility. Where possible the adjustments applied are based on



paired data or other statistical analysis. For example, location adjustments are based primarily on review of land values in the market areas for the comparables relative to the subject. It should be stressed that the adjustments are subjective in nature and are meant to illustrate our logic in deriving a value opinion for the subject site.

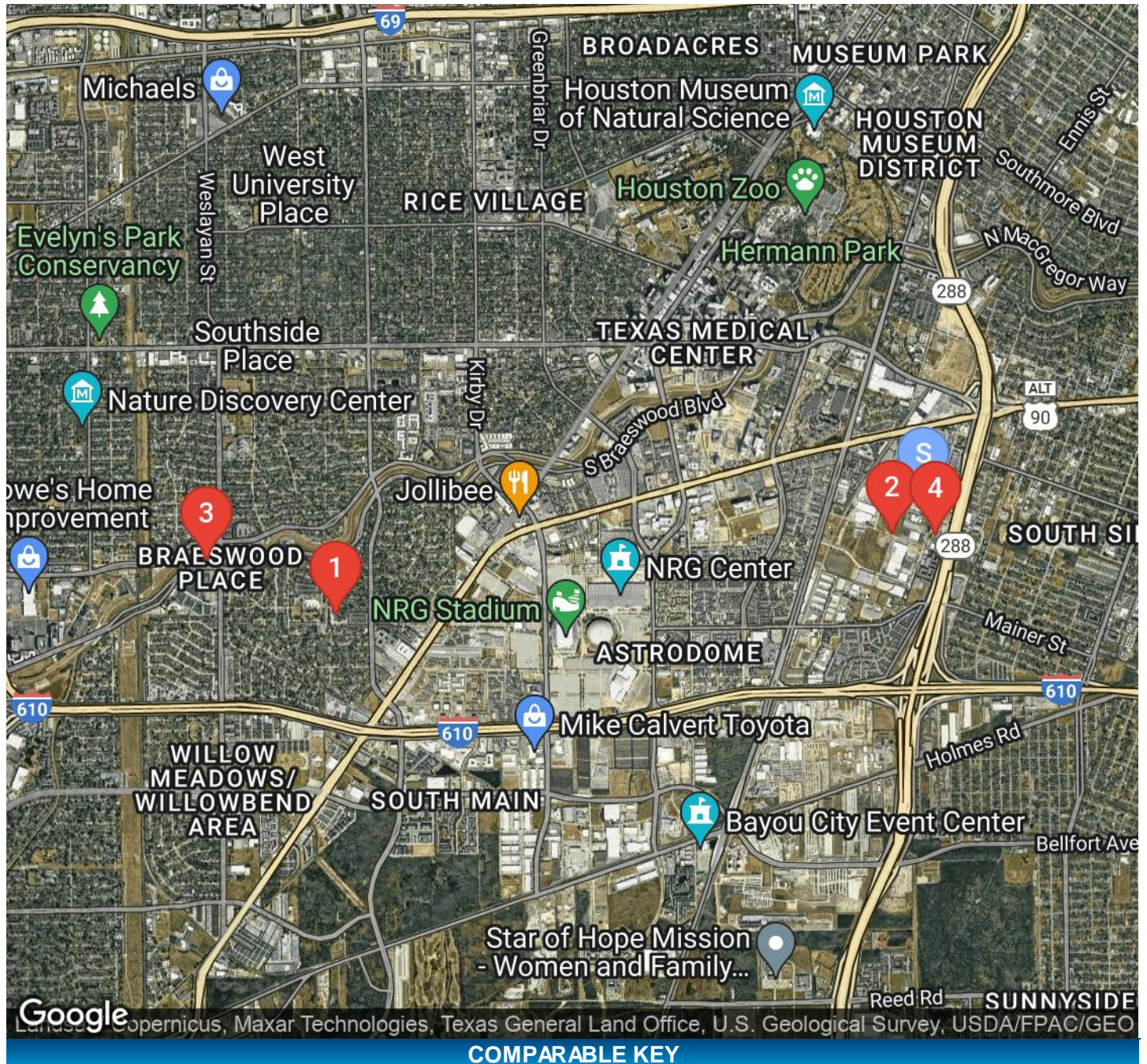
## PRESENTATION

The following Land Sales Summation Table, Location Map and datasheets summarize the sales data used in this analysis. Following these items, the comparable land sales are adjusted for applicable elements of comparison and the opinion of site value is concluded.

LAND SALES SUMMATION TABLE					
COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4
<b>Name</b>	Virtuo Med Center Apartments	3511 Linkwood Site	Corder & Cayuga Rd	4010 S Braeswood Blvd	7135 Ardmore Street
<b>Address</b>	7110 Ardmore Street	3511 Linkwood Drive	Corder & Cayuga Rd	4010 S Braeswood Blvd	7135 Ardmore Street
<b>City</b>	Houston	Houston	Houston	Houston	Houston
<b>State</b>	TX	TX	TX	TX	TX
<b>Zip</b>	77054	77025	77054	77025	77054
<b>County</b>	Harris	Harris	Harris	Harris	Harris
<b>APN</b>	1.50019E+12	440860000235	211490010001	440860000259	0100190000020
PHYSICAL INFORMATION					
<b>SF</b>	278,452	239,327	372,874	131,551	138,085
<b>Shape</b>	Rectangular	Generally Rectangular	Generally Rectangular	Generally Rectangular	Generally Rectangular
SALE INFORMATION					
<b>Date</b>		8/4/2023	1/26/2022	9/27/2021	12/2/2023
<b>Status</b>		Recorded	Recorded	Recorded	Listing
<b>Rights Transferred</b>		Fee Simple	Fee Simple	Fee Simple	Fee Simple
<b>Transaction Price</b>		\$9,275,000	\$13,050,576	\$5,262,040	\$7,180,000
<b>Analysis Price</b>		\$9,275,000	\$13,050,576	\$5,262,040	\$7,180,000
<b>\$/SF Land</b>		\$38.75	\$35.00	\$40.00	\$52.00



## LAND SALES LOCATION MAP



## COMPARABLE KEY

COMP	DISTANCE	ADDRESS	SALE DATE	ACRES	SF	\$/SF
SUBJECT	-	7110 Ardmore Street, Houston, TX	-	6.39	278,452	-
No. 1	3.1 Miles	3511 Linkwood Drive, Houston, TX	8/4/2023	5.49	239,327	\$38.75
No. 2	0.2 Miles	Corder & Cayuga Rd, Houston, TX	1/26/2022	8.56	372,874	\$35.00
No. 3	3.7 Miles	4010 S Braeswood Blvd, Houston, TX	9/27/2021	3.02	131,551	\$40.00
No. 4	0.2 Miles	7135 Ardmore Street, Houston, TX	12/2/2023	3.17	138,085	\$52.00



**COMPARABLE 1****LOCATION INFORMATION**

Name	3511 Linkwood Site
Address	3511 Linkwood Drive
City, State, Zip Code	Houston, TX, 77025
County	Harris
MSA	Houston-The Woodlands-Sugar Land, TX
APN	440860000235

**SALE INFORMATION**

Buyer	Taeken LTD
Seller	Bethany Methodist Ch
Transaction Date	08/4/2023
Transaction Status	Recorded
Transaction Price	\$9,275,000
Analysis Price	\$9,275,000
Recording Number	2022403945
Rights Transferred	Fee Simple
Financing	Conventional
Conditions of Sale	Arms-Length

**PHYSICAL INFORMATION**

Location	Average
Site Size (Net)	5.49 Acres (239,327 SF)
Site Size (Gross)	5.49 Acres (239,327 SF)
Zoning	None
Shape	Generally Rectangular
Topography	Generally Level
Access	Average
Exposure	Average
Corner	No
Utilities	Yes

**3511 LINKWOOD SITE****ANALYSIS INFORMATION**

Price	\$/Acre	\$/SF
Gross	\$1,688,205	\$38.75
Net	\$1,688,205	\$38.75

**CONFIRMATION**

Name	Confidential
Company	Confidential
Source	Confidential
Date / Phone Number	09/27/2023      Confidential

**REMARKS**

This sale represents an approximately 5.494 acre site in South Braeswood that sold for a reported \$9,275,000. The property was improved with a church at the time of sale but was reportedly purchased for development. The site is primarily located in the 500 year flood plain with a portion located in the 100 year flood plain.

**COMPARABLE 2****LOCATION INFORMATION**

Name	Corder & Cayuga Rd
Address	Corder & Cayuga Rd
City, State, Zip Code	Houston, TX, 77054
County	Harris
MSA	Houston-The Woodlands-Sugar Land, TX
APN	211490010001

**SALE INFORMATION**

Buyer	BOARD OF REGENTS OF THE UNIVERSITY
Seller	2ML REAL ESTATE INTERESTS INC
Transaction Date	01/26/2022
Transaction Status	Recorded
Transaction Price	\$13,050,576
Analysis Price	\$13,050,576
Recording Number	RP-2022-48252
Rights Transferred	Fee Simple
Conditions of Sale	Arms-Length

**PHYSICAL INFORMATION**

Location	Average
Flood Zone	Zone B & X
Site Size (Net)	8.56 Acres (372,874 SF)
Site Size (Gross)	8.56 Acres (372,874 SF)
Shape	Generally Rectangular
Topography	Generally Level
Access	Average
Exposure	Average
Corner	No
Utilities	No

**CORDER & CAYUGA RD****ANALYSIS INFORMATION**

Price	\$/Acre	\$/SF
Gross	\$1,524,600	\$35.00
Net	\$1,524,600	\$35.00

**CONFIRMATION**

Name	Scott Miller
Company	Transwestern
Source	Seller's Broker
Date / Phone Number	10/26/2022 Confidential

**REMARKS**

in January 2022, the Board of Regents of the University of Texas System purchased this 8.56 acre tract of land for \$13.05 million or \$35/SF. The property is located in the southeast side of the Texas Medical Center.



## COMPARABLE 3

## LOCATION INFORMATION

Name	4010 S Braesw ood Blvd
Address	4010 S Braesw ood Blvd
City, State, Zip Code	Houston, TX, 77025
County	Harris
MSA	Houston-The Woodlands-Sugar Land, TX
APN	440860000259

## SALE INFORMATION

Buyer	BG 17- SOUTH BRAESWOOD PROPERTY C
Seller	YELLOWSTONE HOLDINGS LLC
Transaction Date	09/27/2021
Transaction Status	Recorded
Transaction Price	\$5,262,040
Analysis Price	\$5,262,040
Recording Number	RP-2021-562581
Rights Transferred	Fee Simple
Conditions of Sale	Arms-Length
Marketing Time	4 Months

## PHYSICAL INFORMATION

Location	Average
Flood Zone	Zone AE
Site Size (Net)	3.02 Acres (131,551 SF)
Site Size (Gross)	3.02 Acres (131,551 SF)
Shape	Generally Rectangular
Topography	Generally Level
Access	Average
Exposure	Average
Corner	No
Utilities	No



## 4010 S BRAESWOOD BLVD

## ANALYSIS INFORMATION

Price	\$/Acre	\$/SF
Gross	\$1,742,397	\$40.00
Net	\$1,742,397	\$40.00

## CONFIRMATION

Name	Davis Adams
Company	JLL
Source	Seller's Broker
Date / Phone Number	10/26/2022      Confidential

## REMARKS

In September 2021 this 3.02 acre tract of land sold for \$5.3 million or \$40/SF. The property is located along Braesw ood Boulevard in the Bellaire submarket of Houston, Texas.

**COMPARABLE 4****LOCATION INFORMATION**

Name	7135 Ardmore Street
Address	7135 Ardmore Street
City, State, Zip Code	Houston, TX, 77054
County	Harris
MSA	Houston-The Woodlands-Sugar Land, TX
APN	0100190000020

**SALE INFORMATION**

Buyer	N/A
Seller	Star Properties LLC
Transaction Date	12/2/2023
Transaction Status	Listing
Transaction Price	\$7,180,000
Analysis Price	\$7,180,000
Recording Number	N/A
Rights Transferred	Fee Simple
Conditions of Sale	Arms-Length

**PHYSICAL INFORMATION**

Location	Average
Flood Zone	Zone X
Site Size (Net)	3.17 Acres (138,085 SF)
Site Size (Gross)	3.17 Acres (138,085 SF)
Zoning	None
Shape	Generally Rectangular
Topography	Level
Access	Average
Exposure	Average
Corner	No
Utilities	Yes

**7135 ARDMORE STREET****ANALYSIS INFORMATION**

Price	\$/Acre	\$/SF
Gross	\$2,264,984	\$52.00
Net	\$2,264,984	\$52.00

**CONFIRMATION**

Name	Confidential
Company	Confidential
Source	Confidential
Date / Phone Number	12/2/2023 Confidential

**REMARKS**

Current listing for 3.17 acres of land within an existing 10.47 acre parcel. The site is currently improved with an aging 10,080 square foot industrial building but is being marketed for redevelopment. The site has a reported 291 feet of visible frontage on highway 288 but does not have direct access. The site is not in a flood zone.

## LAND SALES ADJUSTMENT TABLE

COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4
<b>Name</b>	Virtuo Med Center Apartments	3511 Linkw ood Site	Corder & Cayuga Rd	4010 S Braesw ood Blvd	7135 Ardmore Street
<b>Address</b>	7110 Ardmore Street	3511 Linkw ood Drive	Corder & Cayuga Rd	4010 S Braesw ood Blvd	7135 Ardmore Street
<b>City</b>	Houston	Houston	Houston	Houston	Houston
<b>APN</b>	1500190010002	440860000235	211490010001	440860000259	0100190000020
<b>SF</b>	278,452	239,327	372,874	131,551	138,085
<b>Shape</b>	Rectangular	Generally Rectangular	Generally Rectangular	Generally Rectangular	Generally Rectangular

### SALE INFORMATION

<b>Date</b>	8/4/2023	1/26/2022	9/27/2021	12/2/2023
<b>Status</b>	Recorded	Recorded	Recorded	Listing
<b>Rights Transferred</b>	Fee Simple	Fee Simple	Fee Simple	Fee Simple
<b>Analysis Price</b>	\$9,275,000	\$13,050,576	\$5,262,040	\$7,180,000
<b>Price/SF</b>	\$38.75	\$35.00	\$40.00	\$52.00

### TRANSACTIONAL ADJUSTMENTS

<b>Property Rights</b>	0%	0%	0%	0%
<b>Financing</b>	0%	0%	0%	0%
<b>Conditions of Sale</b>	0%	0%	0%	-10%
<b>Expenditures After the Sale</b>	0%	0%	0%	0%
<b>Market Conditions<sup>1</sup></b>	0%	0%	0%	0%
<b>Subtotal Transactional Adj Price</b>	\$38.75	\$35.00	\$40.00	\$46.80

### PROPERTY ADJUSTMENTS

<b>Location</b>	-10%	-10%	0%	0%
<b>Size</b>	0%	0%	0%	0%
<b>Exposure</b>	0%	0%	0%	0%
<b>Access</b>	0%	0%	0%	-10%
<b>Shape</b>	0%	0%	0%	0%
<b>Site Utility Rating</b>	0%	0%	0%	0%
<b>Subtotal Property Adjustment</b>	-10%	-10%	0%	-10%
<b>TOTAL ADJUSTED PRICE</b>	\$34.88	\$31.50	\$40.00	\$42.12

STATISTICS	UNADJUSTED	ADJUSTED
<b>LOW</b>	\$35.00	\$31.50
<b>HIGH</b>	\$52.00	\$42.12
<b>MEDIAN</b>	\$39.38	\$37.44
<b>AVERAGE</b>	\$41.44	\$37.13

<sup>1</sup> Market Conditions Adjustment: 0%

Date of Value (for adjustment calculations): 11/28/23

## LAND SALES ANALYSIS

### Introduction

The comparable land sales indicate an adjusted value range from \$31.50 to \$42.12/SF, with a median of \$37.44/SF and an average of \$37.13/SF. The range of total gross adjustment applied to the comparables was from 0% to 20%, with an average gross adjustment across all comparables of 10%. The level of total adjustment applied to the comparables is considered to be moderate. Overall, the availability of market data and extent of analysis was adequate to develop a reasonably credible opinion of land value. The adjustment process for each comparable land sale is discussed in the following paragraphs.

### Discussion of Adjustments

Comparable 1 (\$34.88/SF adjusted) did not require any transaction adjustments. This comparable required a total downward adjustment of -10% for property characteristics. The total gross adjustment applied to this comparable was 10%. The minimal amount of gross adjustments required for this comparable suggests it is similar to the subject, increasing its applicability for this analysis. Overall this comparable warrants primary consideration as a value indicator for the subject.

Comparable 2 (\$31.50/SF adjusted) did not require any transaction adjustments. This comparable required a total downward adjustment of -10% for property characteristics. The total gross adjustment applied to this comparable was 10%. The minimal amount of gross adjustments required for this comparable suggests it is similar to the subject, increasing its applicability for this analysis. Overall this comparable warrants primary consideration as a value indicator for the subject.

Comparable 3 (\$40.00/SF adjusted) did not require any transaction adjustments. This comparable did not require any property characteristic adjustments. The total gross adjustment applied to this comparable was 0%. With no adjustments required, this comparable is viewed as a good substitute for the subject. For this analysis, this comparable commands primary consideration as a value indicator for the subject.

Comparable 4 (\$42.12/SF adjusted) required a total downward transaction adjustment of -10%. This comparable required a total downward adjustment of -10% for property characteristics. The total gross adjustment applied to this comparable was 20%. The moderate level of gross adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given secondary consideration as a value indicator for the subject.



## LAND VALUE CONCLUSION

The comparable land sales indicate an adjusted value range from \$31.50 to \$42.12/SF, with a median of \$37.44/SF and an average of \$37.13/SF. Based on the results of the preceding analysis, Comparable 1 (\$34.88/SF adjusted), Comparable 2 (\$31.50/SF adjusted) and Comparable 3 (\$40.00/SF adjusted) are given primary consideration for the subject's opinion of land value.

The following table summarizes the analysis of the comparables, reports the reconciled price per square foot value conclusion, and presents the concluded value of the subject site.

CALCULATION OF LAND VALUE								
COMP	ANALYSIS PRICE	ADJUSTMENT				NET ADJ %	GROSS ADJ %	OVERALL COMPARISON
		TRANSACTIONAL <sup>1</sup>	ADJUSTED	PROPERTY <sup>2</sup>	FINAL			
1	\$38.75	0%	\$38.75	-10%	\$34.88	-10%	10%	PRIMARY
2	\$35.00	0%	\$35.00	-10%	\$31.50	-10%	10%	PRIMARY
3	\$40.00	0%	\$40.00	0%	\$40.00	0%	0%	PRIMARY
4	\$52.00	-10%	\$46.80	-10%	\$42.12	-19%	20%	SECONDARY
LOW	\$31.50					AVERAGE		\$37.13
HIGH	\$42.12					MEDIAN		\$37.44
COMPONENT		SUBJECT SF		\$/SF CONCLUSION			VALUE	
TOTAL PROPERTY		278,452	x	\$35.00	=		\$9,700,000	

<sup>1</sup>Cumulative <sup>2</sup>Additive

Rounded to nearest \$100,000

## INTRODUCTION

The Cost Approach is a set of procedures through which a value indication is derived for the fee simple estate by estimating the cost new as of the effective date of the appraisal to construct a reproduction of (or replacement for) the existing structures,, including an entrepreneurial incentive; deducting depreciation from the total cost; and adding the estimated land value. The contributory value of any site improvements that have not already been considered in the total cost can be added on a depreciated-cost basis. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property rights being appraised.<sup>6</sup>

## REPLACEMENT COST ANALYSIS

The following cost approach to value was developed based on replacement cost analysis. Replacement Cost is defined as: The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout.<sup>7</sup>

Replacement cost includes both direct and indirect costs. Direct costs are expenditures for labor and materials used in the construction of improvements (also known as hard costs). Indirect costs are expenditures for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract (also known as soft costs). Indirect costs often include real property taxes during construction, professional fees, permanent financing fees, leasing commissions, marketing costs and contingency.

### Replacement Cost New (Buildings)

This section calculates the replacement cost new of the subject building improvements by estimating total direct and indirect costs to which an entrepreneurial profit incentive is applied. Two sources were selected to support direct and indirect costs: Marshall Valuation Service and cost comparables. This selection is appropriate considering the scope and intended use of the appraisal, and given that the subject improvements are new construction.

### Marshall Valuation Service

Marshall Valuation Service is a comprehensive appraisal guide widely used throughout the United States for developing replacement costs and depreciated values of buildings and other improvements, and is largely considered the authority on building costs.

The table on the following page outlines the process we applied for developing replacement cost new of the subject building improvements with Marshall Valuation Service. First, the subject components were researched to identify the applicable base building costs per square foot. Next, the base building costs were adjusted for square foot refinements, height and size refinements, and current and local cost multipliers to determine an estimate of direct costs. After determining direct costs using Marshall Valuation Service, we then analyzed market evidence to estimate indirect costs. Finally, an appropriate developer's profit was applied to provide an indication of the replacement cost new.

<sup>6</sup> The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, Chicago, Illinois, 2022

<sup>7</sup> The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, Chicago, Illinois, 2022

## REPLACEMENT COST NEW (BUILDINGS)

## MARSHALL VALUATION SERVICE DIRECT COST

Number of Buildings	2		
Gross Building Area	308,158 SF	1	2
MVS Building Type		Multi-Family	Multi-Family
Component Description		Apartment	Clubhouse
MVS Section/Page/Class		11/18/D	11/30/D
MVS Publication Date		Nov-22	Nov-22
Quality Rating		Average	Average
Component SF (Gross)		299,202	8,956
<b>Base Cost (Per SF)</b>		<b>\$129.00</b>	<b>\$137.00</b>
<b>HEIGHT &amp; SIZE REFINEMENTS</b>			
Number of Stories Multiplier		1.005	1.000
<b>Subtotal</b>		<b>\$129.65</b>	<b>\$137.00</b>
<b>COST MULTIPLIERS</b>			
Current Cost Multiplier		0.93	0.93
Local Multiplier		0.91	0.91
<b>DIRECT COSTS PER SF</b>		<b>\$109.72</b>	<b>\$115.94</b>
Indirect Cost (% of Direct) <sup>1</sup>	15%	15%	15%
<b>INDIRECT COST PER SF</b>		<b>\$16.46</b>	<b>\$17.39</b>
<b>DIRECT &amp; INDIRECT TOTAL PER SF</b>		<b>\$126.18</b>	<b>\$133.33</b>
<b>CALCULATION OF REPLACEMENT COST NEW WITH PROFIT</b>			
Component SF (Gross)		299,202	8,956
Direct & Indirect Total		\$37,752,216	\$1,194,144
ENTREPRENEURIAL PROFIT % <sup>1</sup>	20%	20%	20%
Entrepreneurial Profit \$		\$7,550,443	\$238,829
<b>FINAL TOTAL REPLACEMENT COST NEW</b>		<b>\$45,302,659</b>	<b>\$1,432,973</b>

<sup>1</sup>Colliers International Estimate

Based on our research, indirect costs are typically 10% to 20% of direct cost for this type of development in the marketplace. Considering the size and project characteristics, we have estimated indirect costs at 15% of direct costs.

Entrepreneurial profit and overhead compensates the developer for project risk and management. It is unlikely that a developer would proceed with a development unless adequate profit is available to justify the effort. Based on anecdotal evidence provided by developers of similar Mid/High-Rise Housing projects, profit is typically based on a percentage of replacement cost, generally 10% to 30%, depending upon project size, location, marketability and risk. An entrepreneurial profit and overhead allocation of 20% was used in this analysis.

The replacement cost new as developed with Marshall Valuation Service is summarized in the following table.

## REPLACEMENT COST NEW SUMMARY (BUILDINGS)

## MARSHALL VALUATION SERVICE

Direct & Indirect Costs		\$38,946,360	\$126.38/SF
Entrepreneurial Profit	@20%	\$7,789,272	\$25.28/SF
<b>TOTAL REPLACEMENT COST NEW (RCN)</b>		<b>\$46,735,632</b>	<b>\$151.66/SF</b>

**Depreciation Analysis (Buildings)**

The following table details the depreciation estimate developed for the subject building improvements.

<b>DEPRECIATION ANALYSIS (BUILDINGS)</b>		
	<b>1</b>	<b>2</b>
Component Description	Apartment	Clubhouse
<b>TOTAL REPLACEMENT COST NEW</b>	<b>\$45,302,659</b>	<b>\$1,432,973</b>
LESS: Physical Curable	\$0	\$0
LESS: Functional Curable	\$0	\$0
LESS: Functional Incurable	\$0	\$0
Subtotal Adjusted Replacement Cost New	\$45,302,659	\$1,432,973
<b>Age/Life Analysis</b>		
Economic Life	55	55
Effective Age	1	1
Remaining Economic Life	54	54
Percent Depreciated	1.8%	1.8%
LESS: Age/Life Depreciation	(\$823,685)	(\$26,054)
Adjusted Replacement Cost New	\$44,478,974	\$1,406,919
LESS: Economic Obsolescence (External) 0%	\$0	\$0
Depreciated Replacement Cost New (Buildings)	<b>\$44,478,974</b>	<b>\$1,406,919</b>

Our analysis of depreciation reflects physical and functional curable prior to consideration of physical and functional incurable items, which are treated as components of the age-life analysis. If applicable, economic obsolescence was independently estimated and deducted. For this analysis it is assumed that economic obsolescence was allocated solely to the improvements. The depreciation analysis for the subject building improvements is summarized in the following table.

<b>DEPRECIATION ANALYSIS SUMMARY (BUILDINGS)</b>			
<b>APPROACH</b>	<b>TOTAL</b>	<b>\$/UNIT</b>	<b>\$/SF</b>
<b>TOTAL REPLACEMENT COST NEW</b>	<b>\$46,735,632</b>	<b>\$143,361</b>	<b>\$152</b>
LESS: Physical Curable	\$0	\$0	\$0
LESS: Functional Curable	\$0	\$0	\$0
LESS: Functional Incurable	\$0	\$0	\$0
LESS: Age/Life Depreciation	(\$849,739)	(\$2,607)	-\$3
LESS: Economic Obsolescence (External)	(\$7,100,000)	(\$21,779)	-\$23
<b>Depreciated Replacement Cost New (Buildings)</b>	<b>\$38,785,893</b>	<b>\$118,975</b>	<b>\$126</b>



### Economic Obsolescence

Although we do not depreciate land, the site value is required in this analysis to arrive at the cost feasible NOI. Please see the chart the follows illustrating our calculation of the external obsolescence.

ECONOMIC OBSOLESCENCE	
Replacement Cost New of Improvements	\$46,735,632
Less: Depreciation	(\$849,739)
Depreciated RCN	\$45,885,893
Site Value	\$9,700,000
Depreciated Cost + Land Value	\$55,585,893
x Overall Capitalization Rate (OAR)	6.00%
Cost Feasible NOI	\$3,335,154
Less: Actual NOI	(\$2,907,488)
Income Loss	\$427,665
Divide by Overall Capitalization Rate (OAR) (Market Rate Scenario)	6.00%
<b>ECONOMIC OBSOLESCENCE (ROUNDED)</b>	<b>\$7,100,000</b>

The cost feasible NOI implies that the rental rates to support new construction need to be about \$1,985 per month. It should also be noted that this also factors in the land value which has been concluded considering the location. It is our conclusion that rental rates in-line with cost-feasible rates are not supported in the subject market area.

### Site Improvements Replacement Cost

The replacement cost new of the subject site improvements is presented in the following table.

SITE IMPROVEMENTS REPLACEMENT COST NEW								
ITEM	UNITS	AREA	RCN	TOTAL RCN	INDIRECT 15%	ADJUSTED RCN	PROFIT 20%	TOTAL RCN
Site Improvements	SF	278,452	\$7.00	\$1,949,164	\$292,375	\$2,241,539	\$448,308	\$2,689,846

The site improvements area was calculated based on the subject useable land area less the footprint of the buildings, or 278,452 SF. The replacement cost new was estimated at \$7.00/SF with support from Marshall Valuation Service and cost comparables. Allocations for indirect costs of 15% and profit of 20% were carried forward from the conclusions made within the analysis of building improvements.

The following table shows the estimated depreciation and the resulting depreciated replacement cost for the subject site improvements.

SITE IMPROVEMENTS DEPRECIATION											
ITEM	RCN	PHYS CURABLE	FUNCT CURABLE	ADJ TOTAL	ECON LIFE	EFF AGE	DEPREC %	AGE/LIFE DEPREC	ADJ TOTAL	ECON OBS 0%	DEPREC COST
Site Improvements	\$2,689,846	\$0	\$0	\$2,689,846	55	1	2%	(\$48,906)	\$2,640,940	\$0	\$2,640,940
Totals	\$2,689,846	\$0	\$0	\$2,689,846				(\$48,906)	\$2,640,940	\$0	\$2,640,940

Depreciation for physical and functional curable was noted in the schedule above. If applicable, economic obsolescence is independently estimated and deducted.

## COST APPROACH CONCLUSION

The Cost Approach analysis and conclusion are presented in the following table.

COST APPROACH VALUE CONCLUSION			
<b>IMPROVEMENTS (BUILDINGS)</b>			
Direct & Indirect Costs			\$38,946,360
PLUS: Entrepreneurial Profit			\$7,789,272
LESS: Total Depreciation			(\$7,949,739)
<b>TOTAL DEPRECIATED VALUE OF IMPROVEMENTS (BUILDINGS)</b>			\$38,785,893
<b>IMPROVEMENTS (SITE)</b>			
Direct & Indirect Costs			\$2,241,539
PLUS: Entrepreneurial Profit			\$448,308
LESS: Total Depreciation			(\$48,906)
<b>TOTAL DEPRECIATED VALUE OF IMPROVEMENTS (SITE)</b>			\$2,640,940
<b>SUMMARY (ALL IMPROVEMENTS)</b>			
Adjusted Costs/Cost New			\$41,187,899
PLUS: Total Entrepreneurial Profit			\$8,237,580
<b>TOTAL REPLACEMENT COST NEW</b>			\$49,425,478
LESS: Total Depreciation			(\$7,998,645)
<b>TOTAL DEPRECIATED VALUE OF IMPROVEMENTS</b>			\$41,426,833
PLUS: Land Value (Primary Site)			\$9,700,000
<b>PROSPECTIVE VALUE UPON ST</b>	<b>\$156,442/Unit</b>	<b>\$165/SF</b>	<b>\$51,100,000</b>
Lease-Up Cost + Profit	(24,877)/Unit	(\$26)/SF	(\$8,110,000)
<b>AS-IS MARKET VALUE</b>	<b>\$131,595/Unit</b>	<b>\$139/SF</b>	<b>\$43,000,000</b>

Rounded to nearest \$100,000

## INTRODUCTION

The Reconciliation of Value Conclusions is the final step in the appraisal process and involves the weighing of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property. Understanding the profiles of potential buyers and their typical reliance on each approach to value strongly influences the weighting process.

In the open market, the subject property type would command most interest from national buyers that are actively pursuing similar large investment properties. There is currently minimal buyer demand for substitute properties of the subject based on the volume of sale transactions and reports by buyers, sellers and other market participants during confirmation of market transactions. The most probable buyer is a national investor. The majority of the buyers in the market for class A properties in the Houston market are one who have the ability to secure a PFC agreement with the Housing Authority or are seeking properties with favorable assumable debt or value add upside.

Based on the overall quality of the data and analyses, and decision-making process of the typical buyer profile of the subject asset, the income approach warranted primary emphasis and the sales approach warranted secondary emphasis in developing our final opinions of market. The Cost Approach was included at the request of the client and was given minimal consideration over the income and sales approaches.

## PRESENTATION OF VALUE CONCLUSIONS

Our opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject's value.

The following table summarizes our final opinions of the As-Is Market Value and Prospective Value Upon Stabilization of the subject property's leased fee interest. At the request of the client we have also completed an Insurable Replacement Cost Estimate.

ANALYSIS OF VALUE CONCLUSIONS		
VALUATION INDICES	MARKET VALUE AS-IS	PROSPECTIVE VALUE UPON STABILIZATION
INTEREST APPRAISED	LEASED FEE	LEASED FEE
DATE OF VALUE	NOVEMBER 28, 2023	JANUARY 1, 2025
Cost Approach	\$43,000,000	\$51,100,000
Sales Comparison Approach	\$42,400,000	\$50,500,000
Income Approach	\$40,400,000	\$48,500,000
<b>FINAL VALUE CONCLUSION</b>	<b>\$40,400,000</b>	<b>\$48,500,000</b>
\$/Unit	\$123,926/Unit	\$148,773/Unit
\$/SF (NRA)	\$162.03/SF	\$194.52/SF
Implied Capitalization Rate	-	5.99%
Exposure Time	Six Months or Less	
Marketing Period	Six Months or Less	
<b>OTHER CONCLUSIONS</b>	<b>AS OF NOVEMBER 28, 2023</b>	
Insurable Replacement Cost	\$30,500,000	

We certify that, to the best of our knowledge and belief:

- › The statements of fact contained in this report are true and correct.
- › The reported analyses, opinions, and conclusions of the signers are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- › The signers of this report have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- › John Burke has performed no services, as an appraiser or in any other capacity regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. Clay Roth, MAI has performed no services, as an appraiser or in any other capacity regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- › The signers are not biased with respect to the property that is the subject of this report or to the parties involved with this assignment.
- › The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- › The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- › The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute.
- › John Burke inspected the property that is the subject of this report. Clay Roth, MAI inspected the property that is the subject of this report.
- › No one provided significant real property appraisal assistance to appraisers signing this certification.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report Clay Roth, MAI completed the continuing education program for Designated Members of the Appraisal Institute.




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 Certified General Real Estate Appraiser  
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 +1 713 805 8405  
 john.burke@colliers.com

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December 19, 2023  
 Date





December 19, 2023

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Clay Roth, MAI

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Date

Managing Director

Certified General Real Estate Appraiser

State of Texas License #TX 1323240G

+1 713 835 0090

Clay.Roth@colliers.com

This appraisal is subject to the following assumptions and limiting conditions:

- › The appraisers may or may not have been provided with a survey of the subject property. If further verification is required, a survey by a registered surveyor is advised.
- › We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.
- › The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.
- › Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- › The appraisers assume no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein.
- › Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.
- › This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.
- › The appraisers may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made therefore.
- › The statements of value and all conclusions shall apply as of the dates shown herein.
- › There is no present or contemplated future interest in the property by the appraisers which is not specifically disclosed in this report.
- › Without the written consent or approval of the authors neither all, nor any part of, the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media. This applies particularly to value conclusions and to the identity of the appraisers and the firm with which the appraisers are connected.
- › This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.
- › The valuation stated herein assumes professional management and operation of the buildings throughout the lifetime of the improvements, with an adequate maintenance and repair program.
- › The liability of Colliers International Valuation & Advisory Services, its principals, agents, and employees is limited to the client. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiency in the property.
- › The appraisers are not qualified to detect the presence of toxic or hazardous substances or materials which may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the degree of fault. Colliers International Valuation & Advisory Services and its principals, agents, employees, shall not be liable for any costs, expenses, assessments, or penalties, or diminution in value,

property damage, or personal injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids or gasses, waste materials or other irritants, contaminants or pollutants.

- › The appraisers assume no responsibility for determining if the subject property complies with the *Americans with Disabilities Act (ADA)*. Colliers International Valuation & Advisory Services, its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance. This appraisal assumes that the subject meets an acceptable level of compliance with *ADA* standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be reduced from the reported value conclusion.
- › An on-site inspection of the subject property was conducted. No evidence of asbestos materials on-site was noted. A Phase 1 Environmental Assessment was not provided for this analysis. This analysis assumes that no asbestos or other hazardous materials are stored or found in or on the subject property. If evidence of hazardous materials of any kind occurs, the reader should seek qualified professional assistance. If hazardous materials are discovered and if future market conditions indicate an impact on value and increased perceived risk, a revision of the concluded values may be necessary.
- › A detailed soils study was not provided for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.
- › This analysis assumes that the financial information provided for this appraisal, including rent rolls and historical income and expense statements; accurately reflect the current and historical operations of the subject property.

Insurable Replacement Cost

Engagement Letter

Income & Expense Statements

Rent Roll

Valuation Glossary

Qualifications of Appraisers

Qualifications of Colliers International Valuation & Advisory Services



## INSURABLE REPLACEMENT COST

At the client's request, we have included an estimate of the insurable replacement cost estimate of the subject improvements, which represents the replacement cost new of the subject improvements, exclusive of land value and profit, and the costs associated with excavation, site work, foundations and architects fees. Insurance coverage is usually specific to a given project. We have not been provided with the specific policy requirements, which limit the reliability of the conclusion. Insurable replacement cost is a matter of underwriting as opposed to valuation. Users of this report should not construe the conclusion of insurable value to be an indication of market value. The insurable estimate is made using base costs and multiplier adjustments for market conditions and location from *Marshall Valuation Service*, which is assumed to accurately reflect replacement cost of the subject. We assume no liability as to the subject's insurable replacement cost and recommend that an estimate from a reputable insurance company be obtained if further assurance is required.

The following chart summarizes the insurable replacement cost estimate:

INSURABLE REPLACEMENT COST			
MARSHALL VALUATION SERVICE DIRECT COST			
Number of Buildings	2		
Gross Building Area	308,158 SF	1	2
MVS Building Type		Multi-Family	Multi-Family
Component Description		Apartment	Clubhouse
MVS Section/Page/Class		11/18/D	11/30/D
MVS Publication Date		Nov-22	Nov-22
Quality Rating		Average	Average
Component SF (Gross)		299,202	8,956
<b>Base Cost (Per SF)</b>		<b>\$129.00</b>	<b>\$137.00</b>
HEIGHT & SIZE REFINEMENTS			
Number of Stories Multiplier		1.005	1.000
Height Per Story Multiplier		1.000	1.000
Area/Perimeter Multiplier		1.000	1.000
<b>Subtotal</b>		<b>\$129.65</b>	<b>\$137.00</b>
COST MULTIPLIERS			
Current Cost Multiplier		0.93	0.93
Local Multiplier		0.91	0.91
<b>DIRECT COSTS PER SF</b>		<b>\$109.72</b>	<b>\$115.94</b>
Component SF (Gross)		299,202	8,956
<b>TOTAL REPLACEMENT COST NEW</b>		<b>\$32,828,014</b>	<b>\$1,038,386</b>

<sup>1</sup>Colliers International Estimate

INSURABLE REPLACEMENT COST CONCLUSION			
Base Improvement Cost			\$33,866,400
Demolition	0%		\$0
Insurable Rplcmnt Cost Exclusions	10%	(\$3,386,640)	
<b>INSURABLE REPLACEMENT COST</b>			<b>\$30,500,000</b>

Rounded to nearest \$100,000

November 20, 2023

Clay M. Roth, MAI  
Managing Director  
Colliers Valuation & Advisory Services  
1233 West Loop South, Suite 900  
Houston, TX 77027

Dear Mr. Roth:

Freddie Mac desires that CBRE (the "Appraiser" or the "Appraisers") provide it with real estate appraisal services and hereby authorizes Appraisers to complete a narrative format appraisal report on the property referenced below:

**Virtuo Med Center Apartments**  
7110 Ardmore Street  
Houston, TX 77054

#### **General Scope of Work**

The purpose of the appraisal is to estimate the **(1) As-Is Market Value, (2) Prospective Market Value Upon Stabilization; (3) Insurable Replacement Cost**, in the referenced property. Any encumbrances such as encroachments, easements, title defects, deed restrictions, environmental issues, and the like, must be detailed and their impact on value considered. The appraiser will prominently discuss in the body of the report any hypothetical conditions or extraordinary assumptions (as defined and required by the Uniform Standards of Professional Appraisal Practice).

The appraisal report must be prepared in conformity with the current edition of the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of the Appraisal Foundation and FIRREA Title XI, 12 CFR Part 323 (FDIC) and 12 CFR Part 34 (RTC), and the Code of Ethics & Standards of Professional Practice of the Appraisal Institute, and state so in the report. The appraisal must also conform to all of Freddie Mac's multifamily appraisal requirements, as outlined in Chapter 60 of its Seller/Service Guide.

The definition of market value must conform to that defined in the Federal Register, Vol. 55, August 22, 1990. Market value is defined as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.



2. Both parties are well informed or well advised and acting in what they consider their own best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. Dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

***Additional Scope Requirements:***

- **The rent comparables must be from the immediate vicinity of the subject and the market rent projections must be accompanied by a detailed description and analyses of the rationale used to determine market rent. Please discuss/analyze any rent premiums for "location" if any rent comparables are located adjacent to the Medical Center.**
- **John Burke and/or Clay Roth will do 100% of the comparable selection, due diligence, property inspection, analyses, value conclusions, and report write up.**
- **All expense conclusions must be supported by current expense comparables (within the last 6-12 months).**

**Appraisal Fee**

The agreed upon fee for the completion of this assignment shall not exceed **\$4,000**, which is inclusive of all the Appraiser's costs associated with this engagement including, but not limited to, direct and indirect costs, personnel costs, all copying and reproduction costs, photography, travel, lodging, and meals, shipping, and mailing.

Be advised that time is of the essence and it is imperative the appraisal be completed by the agreed upon due date. The appraisal fee noted above will be reduced by a penalty of \$100.00 per business day after the original scheduled due date.

Delays that are out of your control must be communicated in writing to the undersigned for consideration, at its sole discretion, whether the due date will be modified and/or the late fee waived.

**Due Date**

The due date for the electronic copies is **December 5, 2023**. Electronic copies (in an unlocked PDF format) should be e-mailed to:

[Christopher\\_Alfaro@freddiemac.com](mailto:Christopher_Alfaro@freddiemac.com)

Note: Paper copies of the appraisal are not required.

### Use of the Appraisal

Freddie Mac, its employees, agents, successors and assigns will be relying on this appraisal for asset management purposes, and/or for evaluating a request for an extension of credit (the "Mortgage Loan") to be secured by the property, and/or for loan origination, and/or for acquisition of an asset, and/or for any other purpose.

The following Intended User/Reliance Language must be included **verbatim** in the appraisal report:

"This report is for the use and benefit of, and may be relied upon by

- a) the Seller/Servicer, Freddie Mac and any successors and assigns ("Lender");
- b) independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;
- c) governmental agencies having regulatory authority over Lender;
- d) designated persons pursuant to an order or legal process of any court or governmental agency;
- e) prospective purchasers of the Mortgage; and
- f) with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the property which is the subject of this report, the following parties and their respective successors and assigns:
  - any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;
  - any initial purchaser or subsequent holder of such debt and/or securities;
  - any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
  - any indenture trustee;
  - any rating agency; and
  - any institutional provider from time to time of any liquidity facility or credit support for such financings

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities."



### **Court Testimony**

Freddie Mac has not requested the Appraiser's services for court testimony at this time. If assistance is required for court testimony, depositions, and the like, the applicable fees for court testimony and preparation will be negotiated at that time.

### **Inspection requirements**

- See Scope of Work.
- All persons who sign the report are required to be appropriately certified in the state in which the property is located. Signatories to the report must provide their license/certification number and a copy of the applicable certificate within the Addendum of the report. The capacities of each person who assisted with the report should be identified in the Certification to the report.
- **Note:** As part of the engagement, we would ask that you do a final review on the report -- you don't have to inspect the property and would not be signing the report, but we would like to have you, as the signatory to this engagement letter, be the last set of eyes on the report to ensure that the requirements of the engagement letter have been met. You should be listed in the Certification as having contributed.
- The appraiser is expected to inspect all vacant units, down units, and at least one unit of each model type, up to a limit of 15 units. The appraiser should concentrate on first floor and top floor units and must note the inspected units in the appraisal report.
- All subject photographs should be taken at the time of inspection. Photographs of all comparables must be recent and taken by the appraiser or staff member. If the appraiser uses photographs taken by others, the date and source of the photographs must be indicated in the report.
- The appraiser should attempt to arrange for the inspection as soon as possible after the start of the assignment. Any delays outside the control of the appraiser must be communicated to Freddie Mac immediately.

### **Other valuation development requirements**

#### **Sales Comparison Approach**

- The appraiser must not adjust the sale price of Sales Comparables to reflect the cost or prospective cost of capital expenditures undertaken after the sale if these expenditures were not a part of the original transaction and were not reflected in the actual sale price and/or pricing negotiations.
- The appraiser must not develop a net income multiplier analysis or use operating income as an adjustment in the Sales Comparison Approach. Typically, adjustments in the Sales Comparison

Approach should reflect specific characteristics that affects a property's income and/or marketability such as location, condition, size, level of operating expenses, quality of management, tenant mix, rent concessions, lease terms, and the like, not just that the resulting NOI is greater or lesser than the subject. That is, typically *an appraiser will discuss the causes of the differences in NOI*, not just that a difference exists.

- A reasonable source of verification of the comparable sales' prices and financial information must be included in the appraisal report, by name if available. For example, "local broker" or "principal to the transaction" is too general and is not acceptable.

### Income Approach

- The appraiser will analyze and discuss the differences, if any, between the subject's actual recent contract rents and the appraiser's estimate of the subject property's market rents, and their impact on the leased fee value of the property. And, if the appraiser's estimate of market rent is dissimilar to the recent leasing at the subject, the appraiser must provide an adequate discussion and explanation of the variance.
- The appraisal will have a specific discussion of the appraiser's analysis of the causes of subject property's occupancy issues, if any, and the prospect for achieving stabilized operations. Included in this discussion will be a supported estimate of the time-frame for achieving stabilized occupancy and the market-related and/or property-specific factors that support the appraiser's estimate.
- The estimated vacancy and collection loss must consider the subject property's historical operations, current operations of the property, rental comparables in the market area, and anticipated changes in regional market conditions.
- Operating expenses should be benchmarked against comparable properties in the subject's market area based on, at a minimum, both operating expenses per unit and operating expense ratio. *As part of our review of this appraisal, we will evaluate the appraiser's estimate of operating expenses with and without property taxes and reserves, both on a per-unit and as a function of effective gross income (EGI), so the appraiser should consider this in their development of the appraisal.*
- The appraisal will include a supported discussion, analysis, and derivation of the Appraiser's estimated capitalization rate by each of the following methods:
  - An analysis of comparable sales
  - Published sources (preferably more than one published data source, and preferably a source that focuses on the local market, not general national data)
  - Survey of local market participants (with date of survey and names/titles of the individuals surveyed),

- Band of Investment/Mortgage-Equity model (with specific reference to the sources of the financial data assumptions), and
- Debt Coverage Ratio model (again, with specific reference to the sources of the financial data assumptions).

Note: Exclusion of any of the above-referenced analytical methodologies for capitalization rate development must be discussed in detail in the appraisal, with advanced notification given to Freddie Mac (via the undersigned) prior to transmittal of the final report.

- Development of capitalization rates from Ackerson or Ellwood methodologies is not recommended for appraisals for Freddie Mac.
- A discounted cash flow analysis (DCF) is not necessary for this appraisal unless the property is not operating at stabilized operations or if it is the local market practice to include a DCF analysis in all reports. In any event, the cash flow period for the DCF should reflect the period necessary to achieve stabilized operations (discounting, monthly, quarterly, or annually, as best fits the lease-up scenario), unless local practice dictates otherwise. In lieu of a DCF analysis for an unstabilized property, the appraiser could consider the present value of lost revenue, operating expenses, and necessary repairs/renovations/alterations as adjustments to value.
  - Key assumptions used to develop this analysis must be adequately discussed and supported including rent and expense increases, discount rate, reversion capitalization rate, and absorption period.
  - If the property is not operating at stabilization, appropriate consideration must be given in each of the three approaches to value.

#### **Miscellaneous reporting requirements**

- Freddie Mac will provide the appraiser with all the property and financial information it has available with this engagement letter. An up-to-date rent roll and any other additional information required to complete the assignment must be obtained from property management.
- Insurable Value must be provided
- The Addenda of the report must include a copy of the subject's rent roll and historical financial statements that were used in the development of the Income Approach, as well as a copy of this engagement letter.
- Freddie Mac requires that the appraiser will produce draft and/or final signed electronic copies in unlocked PDF format. Paper copies are no longer required.
- The property's loan number or other Freddie Mac identifier must be referenced on all correspondence and on the title page of the appraisal.

- The appraiser will be provided with a property condition report. Please contact me if any significant deferred maintenance is observed during the site inspection.

The appraiser must report any environmental concerns commonly known in the geographic area where the property is located and any environmental concerns with the property's land or improvements observed during the appraiser's site inspection or known to the appraiser.

It is not acceptable for the appraiser to merely state that the appraiser did not notice any physical and/or environmental issues during their inspection; the appraiser must discuss the extent of the appraiser's inspection for these issues.

Appraisers must report the extent of their due diligence and describe their environmental observations, analysis and conclusions in the appraisal. It is not acceptable for the appraiser to only state that the appraiser is not qualified to detect environmental issues and thus has made no observations during their physical inspection of the property.

Any data provided by Freddie Mac, the property owner, the lender, or any other entity associated with the property, this engagement letter, or the request for bid is confidential and must be closely held by the appraiser. This data may not be disseminated in any way by the appraiser or used or published in any manner in any way including, but not limited to, subsequent property analyses, appraisal and/or consulting reports, articles, commentaries, advertising, publicity, and the like, without the written consent of the Freddie Mac Director of Multifamily Appraisals, whose authorization can be withheld at his/her sole discretion.

Freddie Mac shall, at its sole discretion, request revisions, alterations, additional analyses, data, and discussion, and/or edits of the appraisal from the Appraiser. In such an event, the Appraiser agrees to furnish Freddie Mac with a revised appraisal or Addendum (as agreed upon by Freddie Mac), and such revisions shall be completed and delivered to Freddie Mac within five (5) business days of the request to make the revision, at no cost to Freddie Mac. Freddie Mac's decision regarding compliance with the terms of this agreement and quality of the appraisal report(s) shall be final.

To receive payment, the appraiser must submit its invoice to the attention of the undersigned. Failure to submit all requested items will result in a delayed response.

Please contact Chris Alfaro ([Christopher.Alfaro@freddiemac.com](mailto:Christopher.Alfaro@freddiemac.com)) or Gabrielle Riedy ([Gabrielle.Riedy@freddiemac.com](mailto:Gabrielle.Riedy@freddiemac.com)) if you have any questions regarding this assignment. Property contact information is as follows:

Please contact the Freddie Mac Appraisal Department for the property contact information.

**<The remainder of this page intentionally left blank>**





**Acknowledgement**

Please acknowledge receipt of this agreement and adherence to its terms by signing and returning an originally signed copy to the attention of the undersigned.

Thank you for your assistance in this matter. We look forward to working with you on this assignment.

Sincerely,

A handwritten signature in blue ink that reads "Chris Alfaro".

**Chris Alfaro, MAI, AI-GRS**

Director, Multifamily Appraisals

Phone: (703) 714-4263

Christopher\_Alfaro@freddiemac.com

**Agreed and Accepted:**

A handwritten signature in black ink that reads "Clay M. Roth".	11/21/23
Signature	Date

Clay M. Roth, MAI  
Managing Director  
Colliers Valuation & Advisory Services  
1233 West Loop South, Suite 900  
Houston, TX 77027

**Attachments:**

1. Property Information we have in-house
2. Freddie Mac appraisal development and reporting requirements (Chapter 60 of the Freddie Mac Seller/Service Guide)

# Virtuo Med Center

## Trailing Profit And Loss Detail April 2023 - Accounting Book: Default

Printed 5/18/2023 11:22:21 AM

Account	May 2022 Actual	Jun 2022 Actual	Jul 2022 Actual	Aug 2022 Actual	Sep 2022 Actual	Oct 2022 Actual	Nov 2022 Actual	Dec 2022 Actual	Jan 2023 Actual	Feb 2023 Actual	Mar 2023 Actual	Apr 2023 Actual	Adjusted Total
<b>INCOME</b>													
<b>Rental Income</b>													
4010.000 Gross Potential	728,655.21	724,456.32	742,546.98	742,654.25	739,542.36	748,657.25	743,526.54	746,548.10	745,325.21	746,589.54	748,589.54	749,365.25	8,906,456.55
4012.000 Loss to Lease/Gain to Lease	(109,319.28)	(100,257.02)	(110,076.81)	(98,852.86)	(96,020.00)	(104,196.13)	(84,303.47)	(86,345.89)	(81,424.11)	(83,567.79)	(83,267.79)	(82,365.21)	(1,119,996.36)
<b>Total Rental Income</b>	<b>619,335.93</b>	<b>624,199.30</b>	<b>632,470.17</b>	<b>643,801.39</b>	<b>643,522.36</b>	<b>644,461.12</b>	<b>659,223.07</b>	<b>660,202.21</b>	<b>663,901.10</b>	<b>663,021.75</b>	<b>665,321.75</b>	<b>667,000.04</b>	<b>7,786,460.19</b>
<b>Adjustments to Rental Income</b>													
4105.000 Vacancy Loss	(26,840.85)	(25,840.85)	(24,840.85)	(20,840.85)	(26,840.85)	(23,040.85)	(22,840.85)	(23,840.85)	(25,840.85)	(24,565.00)	(23,565.00)	(23,564.12)	(292,461.77)
4106.000 Bad Debt	(1,537.72)	0.00	0.00	(1,919.71)	0.00	(208.51)	(791.00)	0.00	(1,320.06)	0.00	0.00	223.20	(5,553.80)
4109.000 One-Time Concessions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4110.000 Recurring Concessions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4112.000 Resident Referrals	0.00	(2,000.00)	(1,000.00)	0.00	(1,000.00)	0.00	0.00	0.00	0.00	(500.00)	0.00	0.00	(4,500.00)
4113.000 Employee Rent	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Adjustments to Rental Income</b>	<b>(28,378.57)</b>	<b>(27,840.85)</b>	<b>(25,840.85)</b>	<b>(22,760.56)</b>	<b>(27,840.85)</b>	<b>(23,249.36)</b>	<b>(23,631.85)</b>	<b>(23,840.85)</b>	<b>(27,160.91)</b>	<b>(25,065.00)</b>	<b>(23,565.00)</b>	<b>(23,340.92)</b>	<b>(302,515.57)</b>
<b>Rentable Item Income</b>													
4305.000 Reserved Parking	11,240.00	11,400.00	11,020.00	11,100.00	11,140.00	11,320.00	11,220.00	11,040.00	11,140.00	11,440.00	11,440.00	12,240.00	135,740.00
4370.000 Storage Unit	6,100.00	5,800.00	6,000.00	6,400.00	6,300.00	6,500.00	6,400.00	6,900.00	6,700.00	6,800.00	7,000.00	7,100.00	78,000.00
<b>Total Rentable Item Income</b>	<b>17,340.00</b>	<b>17,200.00</b>	<b>17,020.00</b>	<b>17,500.00</b>	<b>17,440.00</b>	<b>17,820.00</b>	<b>17,620.00</b>	<b>17,940.00</b>	<b>17,840.00</b>	<b>18,240.00</b>	<b>18,440.00</b>	<b>19,340.00</b>	<b>213,740.00</b>
<b>Other Income</b>													
4505.000 Administration Fees	3,150.00	3,800.00	4,200.00	5,432.58	150.00	4,865.00	3,685.24	3,550.00	3,950.00	4,150.00	4,150.00	3,958.00	45,040.82
4510.000 Application Fees	3,125.00	2,010.00	2,635.00	2,445.00	2,300.00	2,675.00	2,150.00	2,730.00	2,375.00	2,400.00	2,400.00	2,950.00	30,195.00
4515.000 Cleaning Fees	150.00	0.00	350.00	150.00	200.00	475.00	360.33	389.23	291.67	1,327.12	2,365.00	1,158.00	7,216.35
4520.000 Damage Fees	506.47	300.00	303.00	679.00	0.00	450.00	525.00	600.00	(80.98)	149.86	149.86	452.00	4,034.21
4525.000 Keys/Lock Fees	0.00	5.00	0.00	15.00	0.00	0.00	5.00	5.00	0.00	5.00	5.00	0.00	40.00
4530.000 Late Charges	480.96	482.00	1,037.49	1,526.03	1,405.45	1,849.05	1,830.07	2,654.16	1,898.59	2,007.88	2,007.88	1,954.00	19,133.56
4535.000 MTM/STL Premium	4,935.00	4,456.00	9,562.00	9,865.00	9,452.00	8,654.00	8,965.00	8,432.00	8,469.00	8,421.00	8,421.00	8,354.00	97,986.00
4540.000 NSF Charges	(300.00)	200.00	700.00	1,100.00	700.00	400.00	1,100.00	500.00	(300.00)	(100.00)	(100.00)	800.00	4,700.00
4545.000 Pet Rent	14,565.00	15,841.00	15,469.00	14,563.00	14,532.00	15,486.00	14,532.00	14,532.00	15,124.00	14,652.00	14,652.00	14,865.00	178,813.00
4550.000 Pet Preimum	402.42	471.67	668.54	762.10	737.50	800.00	717.50	655.64	708.06	700.00	900.00	480.00	8,003.43
4555.000 Eviction/Legal Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(351.07)	627.14	627.14	490.00	1,393.21
4560.000 Termination Fees	6,523.00	0.00	776.13	3,170.00	2,566.89	581.83	1,274.00	1,512.67	6,590.88	1,380.00	2,654.00	3,650.00	30,679.40
4565.000 Transfer Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	400.00	0.00	400.00	400.00	0.00	1,200.00
4575.000 Cable Revenue	8,756.00	8,954.00	8,652.00	8,765.00	8,541.00	8,975.00	8,465.00	8,965.00	8,423.00	8,954.00	8,954.00	8,465.25	104,869.25
4580.000 Clubroom Revenue	2,155.00	1,200.00	1,456.00	2,000.00	1,300.00	1,350.00	1,250.00	1,350.00	2,500.00	1,440.00	3,250.00	3,180.00	22,431.00
4580.500 Renters Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17,496.00	17,516.00	17,533.00	17,348.00	18,572.00	88,465.00
4585.000 Trash Vallet	4,036.00	5,036.00	6,532.23	8,532.32	12,563.00	12,652.00	12,632.00	12,665.25	12,836.32	12,365.32	12,936.74	13,254.00	126,041.18
4600.000 Amenities Fee	3,636.62	4,605.87	4,124.80	4,891.49	4,072.13	4,270.65	4,254.68	4,262.21	4,389.75	4,961.74	32,655.00	33,425.00	109,549.94
4650.00 Pest Control Charge	3,210.00	2,910.00	3,410.00	3,210.00	3,310.00	3,210.00	3,100.00	2,810.00	3,210.00	3,310.00	3,210.00	3,340.00	38,240.00
<b>Total Other Income</b>	<b>55,331.47</b>	<b>50,271.54</b>	<b>59,876.19</b>	<b>67,106.52</b>	<b>61,829.97</b>	<b>66,693.53</b>	<b>64,845.82</b>	<b>83,509.16</b>	<b>87,550.22</b>	<b>84,684.06</b>	<b>116,985.62</b>	<b>119,347.25</b>	<b>918,031.35</b>
<b>Tenant Reimbursements</b>													
4805.000 Utility Reimbursements	5,030.06	8,538.31	9,738.16	12,374.50	13,608.35	15,681.91	16,061.11	16,702.73	15,607.99	17,461.81	17,461.81	17,125.66	165,392.40
<b>Total Tenant Reimbursements</b>	<b>5,030.06</b>	<b>8,538.31</b>	<b>9,738.16</b>	<b>12,374.50</b>	<b>13,608.35</b>	<b>15,681.91</b>	<b>16,061.11</b>	<b>16,702.73</b>	<b>15,607.99</b>	<b>17,461.81</b>	<b>17,461.81</b>	<b>17,125.66</b>	<b>165,392.40</b>
<b>TOTAL INCOME</b>	<b>668,658.89</b>	<b>672,368.30</b>	<b>693,263.67</b>	<b>718,021.85</b>	<b>708,559.83</b>	<b>721,407.20</b>	<b>734,118.15</b>	<b>754,513.25</b>	<b>757,738.40</b>	<b>758,342.62</b>	<b>794,644.18</b>	<b>799,472.03</b>	<b>8,781,108.37</b>
<b>EXPENSE</b>													
<b>Payroll</b>													
5010.000 Manager	6,841.57	7,130.76	7,046.80	7,046.81	7,046.79	6,726.52	3,561.06	12,141.13	7,530.77	7,053.85	7,055.05	6,956.21	80,809.22

5015.000 Tech Supervisor	3,879.14	3,926.45	3,905.55	3,855.50	3,638.80	4,155.54	3,434.46	3,502.38	3,631.05	3,997.77	3,947.77	1,935.24	42,826.40
5020.000 Leasing	2,929.03	2,875.50	2,997.17	2,106.75	2,006.80	2,046.08	2,131.72	2,574.80	2,764.25	2,724.29	2,765.32	2,198.25	65,005.95
5040.000 Porter	2,604.15	2,612.81	2,563.83	2,499.70	2,732.14	2,512.82	2,693.25	2,991.93	2,827.34	2,642.01	2,649.00	2,745.21	27,242.11
5045.000 Housekeeper	2,317.84	1,467.84	(31.73)	0.00	1,964.62	936.35	3,076.83	2,392.46	2,418.16	2,660.27	2,660.27	2,453.58	15,958.64
5055.000 Bonuses	1,000.00	5,043.00	121.00	0.00	0.00	0.00	4,404.00	0.00	0.00	0.00	0.00	0.00	14,611.00
5075.000 401(k) ER Match	221.28	168.50	276.03	297.44	233.32	106.74	172.28	77.89	253.33	71.88	0.00	0.00	2,169.60
5080.000 Tech	4,512.64	2,996.62	2,996.62	2,925.63	2,925.63	1,181.58	2,355.19	3,500.47	2,946.20	2,874.84	2,872.00	2,645.00	29,229.61
5085.000 Payroll Processing Fees	462.00	525.00	459.00	453.53	535.47	506.10	457.16	552.93	554.73	167.13	167.13	334.25	5,443.14
5090.000 Contract Help - Admin	933.48	1,473.27	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,406.75
5095.000 Contract Help - Maint	2,089.86	0.00	1,791.36	8,033.13	447.84	895.68	703.88	0.00	0.00	0.00	0.00	0.00	15,881.29
Total Payroll	27,790.99	28,219.75	22,125.63	27,218.49	21,531.41	19,067.41	22,989.83	27,733.99	22,925.83	22,192.04	22,116.54	19,267.74	283,179.65
General & Administrative													
5105.000 Answering Service	666.82	666.82	1,403.16	815.00	815.00	815.00	815.00	815.00	910.49	910.49	666.82	624.25	9,966.42
5115.000 Cellular Phone	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	50.00	105.13	0.00	1,205.13
5120.000 Internet	354.84	376.06	385.76	375.72	375.72	375.72	362.93	336.42	336.42	357.30	354.84	321.10	4,346.57
5130.000 Applicant Screening	895.60	1,050.55	656.82	147.53	287.46	246.12	309.56	430.36	278.80	259.00	359.00	219.25	5,132.20
5135.000 Bank Charges	35.00	0.00	0.00	55.00	0.00	100.10	57.63	9.90	18.40	10.00	35.00	0.00	321.03
5140.000 Computer R&M	280.00	280.00	280.00	280.00	296.23	280.00	280.00	280.00	325.00	325.00	380.00	0.00	3,566.23
5145.000 Dues & Subscriptions	100.00	116.23	1,796.73	116.23	100.00	0.00	0.00	(611.26)	100.00	116.23	100.00	0.00	2,034.16
5150.000 Equipment Rental	254.15	259.61	259.99	263.96	239.08	249.57	564.88	371.75	321.47	244.05	239.28	0.00	3,521.94
5160.000 Permits/Licenses/Inspections	0.00	0.00	0.00	51.15	122.06	2,656.09	326.87	673.48	114.10	350.36	0.00	0.00	4,294.11
5165.000 Key Control/Management	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,007.00	1,082.50	0.00	0.00	2,089.50
5170.000 Office Supplies	10.00	57.47	117.22	260.06	10.00	1,298.74	2,408.61	(3,322.46)	123.82	200.11	258.95	98.00	1,554.47
5175.000 Postage & Delivery	55.89	33.87	45.57	76.94	89.16	76.76	52.04	54.97	57.93	118.15	70.01	50.00	804.00
5185.000 Profess Fees - Legal Evictions	0.00	0.00	0.00	314.65	140.00	(978.21)	763.21	0.00	0.00	552.14	276.07	0.00	1,067.86
5190.000 Profess Fees - Legal Other	213.75	641.25	0.00	142.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	997.50
5215.000 Employment Related Costs	185.00	185.00	160.00	0.00	185.00	125.00	0.00	0.00	325.00	0.00	609.95	280.00	2,269.95
5220.000 Education & Training	309.70	309.70	309.70	309.70	309.70	309.70	309.70	309.70	441.20	410.67	342.30	305.85	3,981.47
5225.000 Employee Functions	0.00	0.00	220.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	220.25
5230.000 Employee Meals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	121.87	0.00	0.00	0.00	0.00	121.87
5235.000 Travel & Transportation	0.00	0.00	0.00	0.00	111.50	127.50	(127.50)	132.50	0.00	1.70	22.96	15.00	268.66
5240.000 Uniforms	0.00	0.00	0.00	0.00	800.00	0.00	0.00	(81.60)	0.00	0.00	0.00	0.00	718.40
5295.000 Other Admin	187.10	149.74	48.00	225.17	148.36	192.26	0.00	243.28	96.38	11.29	21.74	168.25	1,585.46
Total General & Administrative	3,647.85	4,226.30	5,783.20	3,533.61	4,129.27	5,974.35	6,222.93	(136.09)	4,556.01	4,998.99	3,842.05	2,081.70	48,860.17
Contract Services													
5505.000 Contract - Alarm	56.28	56.56	112.56	56.00	0.00	56.56	56.28	168.84	56.28	(112.56)	(112.56)	45.21	439.45
5515.000 Contract - Elevator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	810.78	1,007.00	1,007.00	1,007.00	3,831.78
5520.000 Contract - Fire/Life Safety	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	150.00	150.00	150.00	1,125.00
Total Contract Services	131.28	131.56	187.56	131.00	75.00	131.56	131.28	243.84	942.06	1,044.44	1,044.44	1,202.21	5,396.23
Repairs & Maintenance													
5610.000 R&M - Appliance	0.00	165.02	0.00	0.00	26.80	0.00	289.03	20.44	0.00	561.51	49.78	120.00	1,232.58
5615.000 R&M - Ceiling & Walls	0.00	0.00	0.00	0.00	0.00	135.00	0.00	0.00	0.00	0.00	0.00	0.00	135.00
5620.000 R&M - Doors/Windows/Screens	0.00	0.00	14.02	50.47	93.89	0.00	0.00	112.02	0.00	813.98	0.00	0.00	1,084.38
5625.000 R&M - Electrical Repairs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.17	0.00	0.00	16.17
5630.000 R&M - Electrical Supplies	0.00	193.71	0.00	21.61	97.23	0.00	41.03	38.25	115.90	439.12	0.00	0.00	946.85
5635.000 R&M - Elevator	0.00	0.00	0.00	0.00	0.00	2,268.92	0.00	9,784.17	3,360.34	0.00	0.00	0.00	15,413.43
5640.000 R&M - Equipment	0.00	0.00	0.00	0.00	91.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	91.80
5650.000 R&M - Exterior Supplies	0.00	274.74	100.43	0.00	0.00	0.00	0.00	88.42	411.96	0.00	0.00	0.00	875.55
5660.000 R&M - Fences & Gates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	175.89	0.00	0.00	175.89
5665.000 R&M - Fire/Life Safety	0.00	0.00	0.00	0.00	0.00	546.95	1,300.51	1,077.09	644.09	480.00	41.54	10.00	4,100.18
5675.000 R&M - Glass & Mirrors	0.00	81.19	0.00	0.00	405.94	0.00	0.00	0.00	0.00	0.00	0.00	0.00	487.13
5685.000 R&M - HVAC Repairs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5690.000 R&M - HVAC Supplies	0.00	124.04	0.00	162.63	697.06	178.80	59.48	0.00	165.05	0.00	0.00	0.00	1,387.06
5695.000 R&M - Interior Paint	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	798.45	0.00	0.00	362.00	1,160.45
5700.000 R&M - Interior Repairs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5705.000 R&M - Interior Supplies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

5710.000 R&M - Landscape Supplies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5715.000 R&M - Lighting	0.00	84.91	0.00	9.16	0.00	0.00	0.00	0.00	0.00	23.59	0.00	0.00	117.66
5720.000 R&M - Lock & Key	0.00	132.36	320.33	0.00	0.00	118.14	55.34	299.12	122.38	134.04	0.00	0.00	1,181.71
5722.000 R&M - Lumber/Carpentry	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5725.000 R&M - Minor Supplies	0.00	400.22	6.99	33.57	0.00	91.17	21.32	124.56	0.00	15.88	0.00	0.00	693.71
5730.000 R&M - Office/Club/Amenity	483.88	483.88	483.88	637.44	1,201.05	630.44	483.88	(98.45)	749.09	483.88	0.00	395.21	5,934.18
5732.000 R&M - Exercise/Weight Room	192.28	192.28	192.28	192.28	192.28	192.28	192.28	192.28	209.92	192.28	192.28	265.32	2,398.04
5740.000 R&M - Plumbing Repairs	0.00	0.00	0.00	0.00	0.00	0.00	832.78	271.78	868.26	0.00	0.00	0.00	1,972.82
5745.000 R&M - Plumbing Supplies	0.00	0.00	52.71	43.71	36.16	42.60	107.84	75.97	0.00	83.34	0.00	0.00	442.33
5750.000 R&M - Pool/Spa	55.15	557.25	0.00	557.25	0.00	289.34	0.00	28.73	578.68	0.00	0.00	0.00	2,066.40
5755.000 R&M - Roofing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5775.000 R&M - Tools & Equipment	0.00	0.00	0.00	28.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	28.08
5785.000 R&M - Occupied Flooring	0.00	0.00	108.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	108.25
5790.000 R&M - Occupied Paint/Sheetrock	0.00	0.00	286.91	156.96	0.00	0.00	0.00	446.40	0.00	0.00	0.00	236.25	1,126.52
5800.000 R&M - Pest Control	0.00	0.00	0.00	50.49	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50.49
5895.000 R&M - Other	0.00	2.44	0.00	0.00	509.45	34.65	0.00	532.33	0.00	0.00	0.00	0.00	1,078.87
5899.019 COVID-19 Maintenance Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Repairs &amp; Maintenance</b>	731.31	2,692.04	1,565.80	1,943.65	3,351.66	4,528.29	3,383.49	12,993.11	8,024.12	3,419.68	283.60	1,388.78	44,305.53
<b>Utilities</b>													
6105.000 Electric Common	6,350.11	5,995.23	6,633.02	6,708.93	6,566.87	6,562.22	5,301.01	7,358.79	8,318.81	7,189.70	7,145.00	7,132.25	64,984.69
6140.000 Utility Billing Service	1,404.00	79.30	1,089.28	1,020.16	2,845.29	1,350.00	1,350.00	839.94	1,599.66	1,584.88	1,465.32	1,365.24	13,742.77
6145.000 Water Irrigation	866.13	0.00	689.49	457.65	1,749.33	2,356.53	656.37	649.17	168.18	0.00	0.00	0.00	7,592.85
6150.000 Water	1,742.98	0.00	4,799.58	3,307.27	6,070.23	7,488.30	2,784.31	6,145.64	3,310.75	6,920.40	3,652.32	4,023.25	42,569.46
6170.000 Drainage	700.39	0.00	770.43	770.43	700.39	700.39	700.39	1,400.78	0.00	0.00	0.00	0.00	5,743.20
<b>Total Utilities</b>	11,063.61	6,074.53	13,981.80	12,264.44	17,932.11	18,457.44	10,792.08	16,394.32	13,397.40	15,694.98	12,262.64	12,520.74	160,836.09
<b>Taxes &amp; Insurance</b>													
6310.000 Taxes - Real Estate	0.00	0.00	0.00	525,657.00	65,707.00	65,707.00	65,707.00	(12,884.95)	65,707.00	65,707.00	65,707.00	65,707.00	972,721.05
6325.000 Taxes - Franchise	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6340.000 Insurance	11,333.00	11,333.00	11,333.00	11,333.00	11,333.00	11,333.00	11,333.00	11,333.00	11,333.00	11,333.00	11,333.00	11,333.00	135,996.00
<b>Total Taxes &amp; Insurance</b>	11,333.00	11,333.00	11,333.00	536,990.00	77,040.00	77,040.00	77,040.00	(1,551.95)	77,040.00	77,040.00	77,040.00	77,040.00	1,108,717.05
<b>TOTAL EXPENSE</b>	54,698.04	52,677.18	54,976.99	582,081.19	124,059.45	125,199.05	120,559.61	55,677.22	126,885.42	124,390.13	116,589.27	113,501.17	1,651,294.72
<b>NET OPERATING INCOME</b>	613,960.85	619,691.12	638,286.68	135,940.66	584,500.38	596,208.15	613,558.54	698,836.03	630,852.98	633,952.49	678,054.91	685,970.86	7,129,813.65

Property: Elevate AT Med Center  
Current tenants in the period 10/18/23 - 10/18/23  
Security Deposit based on date: 10/18/2023

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Summary Rent Roll 10/18/23 2:38 PM Page 3 of 8 rentmanager.com - property management systems rev.12.1005

	Tenant Name	Unit	Sq Ft	Deposit Held	100% Rented	Vacancy Loss	Loss to Lease	Rent Charges	Misc Charges	Credits	Prior Balance	Total Charged Total	Paid	Credit Balances	Debit Balances
Elevate AT Med Center															
	D'Alessandro, Haley	2160	537	150.00	300.00	0.00	300.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	El-Giar,	2161	1,189	350.00	2,365.00	0.00	2,365.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Siddiqui,	2162	1,154	350.00	2,215.00	0.00	2,215.00	0.00	0.00	0.00	1.07	0.00	0.00	0.00	1.07
	Maknoja,	2163	687	250.00	1,610.00	0.00	1,610.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Bedford,	2164	1,154	350.00	2,290.00	0.00	2,290.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Dandrea,	2165	687	250.00	1,610.00	0.00	1,610.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Zemmita, Abubaker	2166	687	250.00	1,635.00	0.00	1,635.00	0.00	0.00	0.00	28.08	0.00	0.00	0.00	28.08
	Gay,	2167	1,154	350.00	2,265.00	0.00	2,265.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Enterprises,	2168	627	250.00	1,585.00	0.00	1,585.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Mccaa,	2169	1,154	350.00	2,265.00	0.00	2,265.00	0.00	0.00	0.00	2,293.63	0.00	0.00	0.00	2,293.63
	Enterprises,	2170	627	250.00	1,585.00	0.00	1,585.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VACANT	2171	1,042	0.00	1,720.00	1,720.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Pasha, Ali	2172	627	250.00	1,585.00	0.00	1,585.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Anderson,	2173	687	250.00	1,610.00	0.00	1,610.00	0.00	0.00	0.00	-100.00	0.00	0.00	-100.00	0.00
	VACANT	2174	509	0.00	1,035.00	1,035.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VACANT	2175	687	0.00	1,610.00	1,610.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Ngufor,	2176	669	250.00	1,620.00	0.00	1,620.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VACANT	2177	509	0.00	1,035.00	1,035.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Johnson, Jonathan	2178	537	150.00	300.00	0.00	300.00	0.00	0.00	0.00	-3.97	0.00	0.00	-3.97	0.00
	Nguyen,	2184	537	150.00	300.00	0.00	300.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Doumbia, Moyamou	2185	1,154	350.00	2,290.00	0.00	2,290.00	0.00	0.00	0.00	-399.34	0.00	0.00	-399.34	0.00
	White,	2186	537	0.00	1,036.00	0.00	1,036.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Oconnor,	2188	537	150.00	300.00	0.00	300.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Williams,	3101	687	250.00	1,560.00	0.00	1,560.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Watkins,	3102	669	250.00	1,185.00	0.00	1,185.00	0.00	0.00	0.00	-3.57	0.00	0.00	-3.57	0.00
	Weatherspoon, Ambe	3103	828	250.00	1,715.00	0.00	1,715.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VACANT	3104	627	0.00	1,285.00	1,285.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Assam,	3105	828	0.00	1,415.00	0.00	1,415.00	0.00	0.00	0.00	250.00	0.00	0.00	0.00	250.00
	Valance,	3106	627	250.00	1,585.00	0.00	1,585.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Sanders,	3107	828	0.00	1,715.00	0.00	1,715.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Wayeh,	3108	627	250.00	1,585.00	0.00	1,585.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Clay,	3109	828	250.00	1,715.00	0.00	1,715.00	0.00	0.00	0.00	-6,044.00	0.00	0.00	-6,044.00	0.00
	Carrell-Dunbar, Jade	3110	1,154	350.00	2,290.00	0.00	2,290.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VACANT	3111	828	0.00	1,415.00	1,415.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Hurt, Ashia	3112	1,189	350.00	2,365.00	0.00	2,365.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Rubiano, Alejandro	3113	828	250.00	1,715.00	0.00	1,715.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Augbon,	3114	687	250.00	1,635.00	0.00	1,635.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Medvetz,	3115	828	0.00	1,715.00	0.00	1,715.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Summary Rent Roll 10/18/23 2:38 PM Page 4 of 8 rentmanager.com - property management systems rev.12.1005

Summary Rent Roll 10/18/23 2:38 PM Page 5 of 8 rentmanager.com - property management systems rev.12.1005

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Kintanar, 4179	669	250.00	1,695.00	0.00	1,695.00	(	0.00	(	0.00	0.00	0.00
Perez, Julio 4180	537	150.00	1,386.00	0.00	1,386.00	(	0.00	(	0.00	0.00	0.00
Shatara, 4181	687	250.00	1,685.00	0.00	1,685.00	(	0.00	(	0.00	0.00	0.00
Bowman, 4182	537	150.00	1,386.00	0.00	1,386.00	(	0.00	(	0.00	0.00	0.00
French, 4183	687	250.00	1,685.00	0.00	1,685.00	(	0.00	(	126.00	0.00	126.00
VACANT 4184	537	(	1,386.00	1,386.00	(	0.00	(	0.00	0.00	0.00	0.00
Lowman, 4185	718	350.00	2,340.00	0.00	2,340.00	(	0.00	(	0.00	0.00	0.00
Cooper, 4186	537	150.00	1,386.00	0.00	1,386.00	(	0.00	(	0.00	0.00	0.00
VACANT 4187	718	(	2,015.00	2,015.00	(	0.00	(	0.00	0.00	0.00	0.00
Williams, 4188	509	150.00	300.00	0.00	300.00	(	0.00	(	-1,338.00	0.00	-1,338.00

Totals for Elevate AT Med      Total Units: 326      Vacant Units: 98      Vacant Rent: 144,689.00      Credit Balances: 25      Overall Balance: 11,171.36

Totals for report	Sq Ft	Depo sit Held	100 % Rent ed	Vaca ncy Loss	Lo ss to Le ase	Rent Char ges	Misc Charges	Cre dit s	Prior Bala nce	Total Charged	Total Paid	Credit Balanc es	Debit Balances
	249,335	58,085.00	508,527.00	144,689.00	363,838.00	0.00	144,689.00	0.00	11,071.36	100.00	0.00	-18,374.79	29,546.15
		Total Units: 326		Vacant Units: 98		Vacant Rent:			Credit Balances:			Overall Balance:	

HARRIS CENTRAL APPRAISAL DISTRICT  
REAL PROPERTY ACCOUNT INFORMATION  
**1500190010002**

Tax Year: 2023



Owner and Property Information										
Owner Name & Mailing Address: <b>TMC GRAND APTS #1 LLC 7670 WOODWAY DR STE 160 HOUSTON TX 77063-1593</b>					Legal Description: <b>RES B BLK 1 PARKMED</b> Property Address: <b>7110 ARDMORE ST # 326 HOUSTON TX 77054</b>					
State Class Code	Land Use Code	Building Class	Total Units	Land Area	Building Area	Net Rentable Area	Neighborhood	Market Area	Map Facet	Key Map <sup>A</sup>
B1 -- Real, Residential, Multi-Family	8002 -- Land Neighborhood Section 2	E	326	278,348 SF	257,963	248,254	5981.16	1610 -- Med Center/ Braes Bayou	5354B	533K

**Value Status Information**

Value Status	Notice Date	Shared CAD
Noticed	03/31/2023	No

**Exemptions and Jurisdictions**

Exemption Type	Districts	Jurisdictions	Exemption Value	ARB Status	2022 Rate	2023 Rate
<b>None</b>	001	HOUSTON ISD		Certified: 08/18/2023	1.037200	0.868300
	040	HARRIS COUNTY		Certified: 08/18/2023	0.343730	0.350070
	041	HARRIS CO FLOOD CNTRL		Certified: 08/18/2023	0.030550	0.031050
	042	PORT OF HOUSTON AUTHY		Certified: 08/18/2023	0.007990	0.005740
	043	HARRIS CO HOSP DIST		Certified: 08/18/2023	0.148310	0.143430
	044	HARRIS CO EDUC DEPT		Certified: 08/18/2023	0.004900	0.004800
	048	HOU COMMUNITY COLLEGE		Certified: 08/18/2023	0.095569	0.092231
	061	CITY OF HOUSTON		Certified: 08/18/2023	0.533640	0.519190
	290	OST/ALMEDA 7:EXPNSN (040)		Certified: 08/18/2023		
	587	OST/ALMEDA 7:EXPNSN (061)		Certified: 08/18/2023		
	944	GRTR SE MGMT DIST		Certified: 08/18/2023	0.115000	
	964	OST/ALMEDA 7:EXPNSN (001)		Certified: 08/18/2023		

Texas law prohibits us from displaying residential photographs, sketches, floor plans, or information indicating the age of a property owner on our website. You can inspect this information or get a copy at **HCAD's information center at 13013 NW Freeway.**

**Valuations**

Value as of January 1, 2022			Value as of January 1, 2023		
	Market	Appraised		Market	Appraised



Land	4,175,220		Land	6,958,700	
Improvement	28,064,963		Improvement	45,842,100	
Total	32,240,183	32,240,183	Total	52,800,800	52,800,800

**Land**

Market Value Land												
Line	Description	Site Code	Unit Type	Units	Size Factor	Site Factor	Appr O/R Factor	Appr O/R Reason	Total Adj	Unit Price	Adj Unit Price	Value
1	8002 -- Land Neighborhood Section 2	4212	SF	278,348	1.00	1.00	1.00	--	1.00	25.00	25.00	6,958,700.00

**Building**

Building	Year Built	Type	Style	Quality	Impr Sq Ft	Building Details
1	2020	Apartment Mid Rise (4 to 11 Stories)	Apartment	Good	249,007	Displayed
2	2020	Apartment Mid Rise (4 to 11 Stories)	Clubhouse	Good	8,956	<a href="#">View</a>

**Building Details (1)**

Building Data		Building Areas	
Element	Detail	Description	Area
Exterior Wall	Brick / Stone	BASE AREA PRI	5,248
Construction Type	Wood / Steel Joist	BASE AREA PRI	6,445
Partition Type	Normal	BASE AREA PRI	4,939
Heating Type	None	BASE AREA UPR	9,270
Cooling Type	Central / Forced	BASE AREA UPR	15,585
Plumbing Type	Adequate	BASE AREA UPR	6,156
Sprinkler Type	Wet	BASE AREA UPR	14,469
Physical Condition	Avg/Normal	BASE AREA UPR	2,400
Functional Utility	Avg/Normal	BASE AREA UPR	15,744
Economic Obsolescence	Normal	BASE AREA PRI	4,427
Market Index Adjustment	100% No Mkt Index Adjustment	BASE AREA PRI	3,761
Element	Units	BASE AREA PRI	4,439
Number of Apartment Units	326	BASE AREA PRI	2,861
Apt: 2-Bedroom Unit	76	BASE AREA PRI	1,659
Apt: 1-Bedroom Unit	250	BASE AREA PRI	2,781
Net Rentable Area	249274	BASE AREA PRI	3,080
Sprinkler: Wet	296744	BASE AREA PRI	4,768
Interior Finish Percent	100	BASE AREA PRI	5,195
# Stories	4	BASE AREA PRI	1,140
Wall Height	9	BASE AREA PRI	570
		BASE AREA PRI	4,783
		PORCH, OPEN -C	151
		BASE AREA PRI	1,426
		BASE AREA PRI	1,100
		BASE AREA UPR	11,283
		BASE AREA UPR	9,240
		BASE AREA UPR	14,304
		BASE AREA PRI	621

BASE AREA UPR	13,245
BASE AREA UPR	13,482
BASE AREA UPR	1,710
BASE AREA UPR	3,204
BASE AREA UPR	13,968
BASE AREA UPR	3,420
BASE AREA UPR	19,335
BASE AREA UPR	1,863
BASE AREA UPR	4,995
BASE AREA PRI	2,114
BASE AREA UPR	5,040
BASE AREA UPR	8,937

**Extra Features**

Line	Description	Quality	Condition	Units	Year Bult
1	Paving - Heavy Concrete	Average	Average	142,863.00	2020
3	Porch, Open	Average	Average	17,685.00	2020
4	Porch, Open Upper	Average	Average	57,330.00	2020
5	Wet Sprinkler	Average	Average	296,744.00	2020
6	Swimming Pool	Average	Average	800.00	2022

### **LEGAL DESCRIPTION**

Unrestricted Reserve "B", in Block One (1) of PARKMED, a subdivision in Harris County, Texas, according to the map or plat thereof, recorded under Film Code No. 688668 of the Map Records of Harris County, Texas.

Unless specified otherwise, these definitions were extracted from the following sources or publications:

The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, Chicago, Illinois, 2022 (Dictionary).

Uniform Standards of Professional Appraisal Practice, 2020-2023 Edition (USPAP).

The Appraisal of Real Estate, Fifteenth Edition, Appraisal Institute, Chicago, Illinois, 2020 (15th Edition).

### **Absolute Net Lease**

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. *(Dictionary)*

### **Ad Valorem Tax**

A real estate tax based on the assessed value of the property, which is not necessarily equivalent to its market value. *(15th Edition)*

### **Arm's-length Transaction**

A transaction between unrelated parties who are each acting in his or her own best interest. *(Dictionary)*

### **As-Is Market Value**

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. *(Dictionary)*

### **Assessed Value**

The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value. *(Dictionary)*

### **Average Daily Room Rate (ADR)**

In the lodging industry, the net rooms revenue derived from the sale of guest rooms divided by the number of paid occupied rooms. *(Dictionary)*

### **Band of Investment**

A technique in which the capitalization rates attributable to components of an investment are weighted and combined to derive a weighted-average rate attributable to the total investment. *(Dictionary)*

### **Cash-Equivalent Price**

The sale price of a property that is equivalent to what a cash buyer would pay. *(Dictionary)*

### **Common Area**

The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. *(Dictionary)*

### **Contract Rent**

The actual rental income specified in a lease. *(15th Edition)*

### **Cost Approach**

A set of procedures through which a value indication is derived for the fee simple estate by estimating the cost new as of the effective date of the appraisal to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive; deducting depreciation from the total cost; and adding the estimated land value. The contributory value of any site improvements that have not already been considered in the total cost can be added on a depreciated-cost basis. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property rights being appraised. *(Dictionary)*

### **Curable Functional Obsolescence**

An element of depreciation; a curable defect caused by a flaw involving the structure, materials, or design, which can be practically and economically corrected. *(Dictionary)*

### **Debt Coverage Ratio (DCR)**

The ratio of net operating income to annual debt service, which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. *(Dictionary)*

### **Deferred Maintenance**

Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of a property. *(Dictionary)*

### **Depreciation**

In appraisal, a loss in the value of improvements from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the value of the improvement on the same date. *(Dictionary)*

### **Direct Costs**

Expenditures for the labor and materials used in the construction of improvements; also called *hard costs*. *(Dictionary)*

### Discounted Cash Flow (DCF) Analysis

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate. *(Dictionary)*

### Discount Rate

A rate of return on capital used to convert future payments or receipts into present value. *(Dictionary)*

### Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms. *(Dictionary)*

### Easement

The right to use another's land for a stated purpose. Access or right-of-way easements may be acquired by private parties or public utilities. Governments may be the beneficiaries of easements placed on privately owned land that is dedicated to conservation, open space, or preservation. *(15th Edition)*

### Economic Life

The period over which improvements to real estate contribute to property value. *(Dictionary)*

### Effective Age

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. *(Dictionary)*

### Effective Date

The date on which the appraisal or review opinion applies (SVP) *(Dictionary)*

### Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. *(Dictionary)*

### Effective Gross Income Multiplier (EGIM)

The ratio between the sale price (or value) of a property and its effective gross income. *(Dictionary)*

### Effective Rent

The total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions - e.g. free rent, excessive tenant improvements, moving allowances, lease buyouts, cash allowances, and other lease incentives. *(15th Edition)*

### Eminent Domain

The right of government to take private property for public use upon the payment of just compensation. The Fifth Amendment of the U.S. Constitution, also known as the *takings clause*, guarantees payment of just compensation upon appropriation of private property. *(Dictionary)*

### Entrepreneurial Incentive

The amount an entrepreneur expects or wants to receive as compensation for providing coordination and expertise and assuming the risks associated with the development of a project. Entrepreneurial incentive is the expectation of future reward as opposed to the profit actually earned on the project. *(Dictionary)*

### Entrepreneurial Profit

A market-derived figure that represents the amount an entrepreneur received for his or her contribution to a past project to compensate for his or her time, effort, knowledge, and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses. *(Dictionary)*

### Excess Land

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. *(Dictionary)*



### Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the lessor and may reflect superior management, a lease execution in an earlier, stronger rental market, or an agreement of the parties. Due to the higher risk inherent in the receipt of excess rent, it may be calculated separately and capitalized or discounted at a higher rate in the income capitalization approach. *(15th Edition)*

### Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying any operating expenses above a stated level or amount. *(Dictionary)*

### Exposure Time

An opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. *(USPAP)*

### Extraordinary Assumption

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions. *(USPAP)*

### External Obsolescence

A type of depreciation; a diminution in value caused by negative external influences and generally incurable on the part of the owner, landlord, or tenant. The external influence may be either temporary or permanent. There are two forms of external obsolescence: economic and locational. *(Dictionary)*

### Fair Market Value

In nontechnical usage, a term that is equivalent to the contemporary usage of *market value*.

As used in condemnation, litigation, income tax, and property tax situations, a term that is similar in concept to market value but may be defined explicitly by the relevant agency or interpreted differently by court precedent. *(Dictionary)*

### Feasibility Analysis

A study of the cost-benefit relationship of an economic endeavor. *(USPAP)*

### Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat. *(Dictionary)*

### Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. *(Dictionary)*

### Functional Obsolescence

The impairment of functional capacity of improvements according to market tastes and standards. *(Dictionary)*

### Functional Utility

The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms. *(Dictionary)*

### Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. *(Dictionary)*

### Going-concern

An established and operating business having an indefinite future life. *(Dictionary)*

### Going-concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern* or *market value of the total assets of the business*. *(Dictionary)*

### Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved. *(Dictionary)*

### **Gross Leasable Area (GLA)**

Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces. *(Dictionary)*

### **Gross Living Area (GLA)**

Total area of finished, above-grade residential space area; calculated by measuring the outside perimeter of the structure and includes only finished, habitable, above-grade living space. (Finished basements and attic areas are not generally included in total gross living area. Local practices, however, may differ.) *(Dictionary)*

### **Highest & Best Use**

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid (IVS). *(Dictionary)*

### **Hypothetical Condition**

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. *(USPAP)*

### **Income Capitalization Approach**

In the income capitalization approach, an appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to this approach. Techniques and procedures from this approach are used to analyze comparable sales data and to measure obsolescence in the cost approach. *(15th Edition)*

### **Incurable Functional Obsolescence**

An element of depreciation; a defect caused by a deficiency or superadequacy involving the structure, materials, or design that cannot be practically or economically corrected as of the effective date of the appraisal. *(Dictionary)*

### **Indirect Costs**

Expenditures or allowances for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract. Indirect costs may include administrative costs, professional fees, financing

costs and the interest paid on construction loans, taxes and the builder's or developer's all-risk insurance during construction, and marketing, sales, and lease-up costs incurred to achieve occupancy or sale. Also called *soft costs*. *(Dictionary)*

### **Interim Use**

The use contemplated by the market participants that the subject real estate can be put to while waiting for certain subsequent factors to occur. *(Dictionary)*

### **Investment Value**

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. *(Dictionary)*

### **Leased Fee Interest**

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversion right when the lease expires. *(Dictionary)*

### **Leasehold Estate**

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. *(Dictionary)*

### **Legal Nonconforming Use**

A use that was lawfully established and maintained, but no longer conforms to the use regulations of its current zoning; sometimes known as a legally nonconforming use. *(Dictionary)*

### **Liquidation Value**

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms. *(Dictionary)*

## Market Area

The geographic region from which a majority of demand comes and in which the majority of competition is located. Depending on the market, a market area may be further subdivided into components such as primary, secondary, and tertiary market areas, or the competitive market area may be distinguished from the general market area. *(Dictionary)*

## Market Rent

The most probable rent that a property should bring in a competitive and open market under all conditions requisite to a fair lease transaction, the lessee and lessor each acting prudently and knowledgeably, and assuming the rent is not affected by undue stimulus. *(Dictionary)*

## Market Study

An analysis of the market conditions of supply, demand, and pricing for a specific property type in a specific area. *(Dictionary)*

## Market Value (Most Common Non-FRT)

The most probable price, as of a specific date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue distress. *(Dictionary)*

## Market Value (Interagency Guidelines)

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Interagency Appraisal and Evaluation Guidelines, Federal Register, December 10, 2010.

## Marketability Analysis

The study of how a specific property is expected to perform in a specific market. A marketability analysis expands on a market analysis by addressing a specific property. *(Dictionary)*

## Neighborhood Analysis

The objective analysis of observable or quantifiable data indicating discernible patterns of urban growth, structure, and change that may detract from or enhance property values; focuses on four sets of considerations that influence value: social, economic, governmental, and environmental factors. *(Dictionary)*

## Net Net Net Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called *NNN lease, triple net lease, or fully net lease*. *(Dictionary)*

## Net Operating Income (NOI)

The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. Note: This definition mirrors the convention used in corporate finance and business valuation for EBITDA (earnings before interest, taxes, depreciation, and amortization). *(15th Edition)*

## Obsolescence

One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. *(Dictionary)*

## Off-site Costs

Costs incurred in the development of a project excluding on-site costs such as grading and construction of the building and other improvements; also called *common costs* or *off-site improvement costs*. *(Dictionary)*

## On-site Costs

Costs incurred for the actual construction of buildings and improvements on a particular site. *(Dictionary)*

## Overage Rent

The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakeven sales volume. *(15th Edition)*

### **Overall Capitalization Rate (OAR)**

The relationship between a single year's net operating income expectancy and the total property price or value. *(Dictionary)*

### **Parking Ratio**

The ratio of parking area or parking spaces to an economic or physical unit of comparison. Minimum required parking ratios for various land uses are often stated in zoning ordinances. *(Dictionary)*

### **Potential Gross Income (PGI)**

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. *(Dictionary)*

### **Potential Gross Income Multiplier (PGIM)**

The ratio between the sale price (or value) of a property and its annual potential gross income. *(Dictionary)*

### **Present Value (PV)**

The value of a future payment or series of future payments discounted to the current date or to time period zero. *(Dictionary)*

### **Prospective Opinion of Value**

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy. *(Dictionary)*

### **Qualitative Adjustment**

An indication that one property is superior, inferior, or similar to another property. Note that the common usage of the term is a misnomer in that an adjustment to the sale price of a comparable property is not made. Rather, the indication of a property's superiority or inferiority to another is used in relative comparison analysis, bracketing, and other forms of qualitative analysis. *(Dictionary)*

### **Quantitative Adjustment**

In the application of the sales comparison and income capitalization approaches, a numerical (dollar or percentage) adjustment to the sale price, rent, or expense amount of a comparable property to account for the effect on value of a difference between each comparable property and the subject property. *(Dictionary)*

### **Rentable Area**

The amount of space on which the rent is based; calculated according to local practice. *(Dictionary)*

### **Replacement Cost**

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. *(Dictionary)*

### **Replacement Cost for Insurance Purposes**

The estimated cost, at current prices as of the effective date of valuation, of a substitute for the building being valued, using modern materials and current standards, design and layout for insurance coverage purposes guaranteeing that damaged property is replaced with a new property (i.e., depreciation is not deducted). *(Dictionary)*

### **Reproduction Cost**

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same or similar materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building. *(Dictionary)*

### **Retrospective Value Opinion**

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." *(Dictionary)*

### **Sales Comparison Approach**

The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered vacant when an adequate supply of comparable sales is available. *(Dictionary)*

### **Scope of Work**

The type and extent of research and analysis in an appraisal or appraisal review assignment. Scope of work includes, but is not limited to:

The extent to which the property is identified;

The extent to which tangible property is inspected;

The type and extent of data researched; and

The type and extent of analysis applied to arrive at opinions or conclusions. *(USPAP)*

## Shopping Center Types

**Neighborhood Shopping Center:** The smallest type of shopping center, generally with a gross leasable area of between 30,000 and 100,000 square feet. Typical anchors include supermarkets. Neighborhood shopping centers offer convenience goods and personal services and usually depend on a market population support of 3,000 to 40,000 people.

**Community Shopping Center:** A shopping center of 100,000 to 400,000 square feet that usually contains one junior department store, a variety store, discount or department store. A community shopping center generally has between 20 and 70 retail tenants and a market population support of 40,000 to 150,000 people.

**Regional Shopping Center:** A shopping center of 300,000 to 900,000 square feet that is built around one or two full-line department stores of approximately 200,000 square feet each plus small tenant spaces. This type of center is typically supported by a minimum population of 150,000 people.

**Super-Regional Center:** A large center of 600,000 to 2.0 million square feet anchored by three or more full-line department stores. This type of center is typically supported by a population area of 300,000 people. *(15th Edition)*

## Sum of the Retail Values

The sum of the separate and distinct market value opinions for each of the units in a condominium; subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as sold together in a single transaction; it is simply the total of the individual market value conclusions. An appraisal has an effective date, but summing the sales prices of multiple units over an extended period of time will not be the value on that one day unless the prices are discounted to make the value equivalent to what another developer or investor would pay for the bulk purchase of the units. Also called the *aggregate of the retail values* or *aggregate retail selling price*. *(Dictionary)*

## Superadequacy

An excess in the capacity or quality of a structure or structural component; determined by market standards. *(Dictionary)*

## Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. *(Dictionary)*

## Tenant Improvements (TIs)

1. Fixed improvements to the land or structures installed for use by a lessee.
2. The original installation of finished tenant space in a construction project; subject to periodic change for succeeding tenants. *(Dictionary)*

## Usable Area

The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas. *(Dictionary)*

## Useful Life

The period of time over which a structure or a component of a property may reasonably be expected to perform the function for which it was designed. *(Dictionary)*

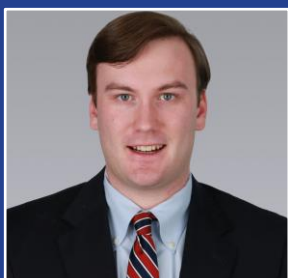
## Vacancy and Collection Loss

A deduction from potential gross income (PGI) made to reflect income deductions due to vacancies, tenant turnover, and nonpayment of rent; also called *vacancy and credit loss* or *vacancy and contingency loss*. *(Dictionary)*

## Yield Capitalization

A method used to convert future benefits into present value by (1) discounting each future benefit at an appropriate yield rate, or (2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate. *(Dictionary)*





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## John Burke

### Area of Expertise

John Burke is a Senior Valuation Specialist in the Houston office of Colliers Valuation & Advisory Services. He is experienced in appraisals covering a wide range of asset types including multifamily, single and multitenant office, industrial, single tenant net leased retail, and specialty properties. Since 2020 he has primarily focused on multifamily valuation including conventional and small balance apartments, proposed new construction, LIHTC / affordable housing, student housing, build to rent, age restricted / active adult, and condominium properties. Prior to joining Colliers, John was a Senior Valuation Analyst at JLL focusing on multifamily appraisal.

### Affiliations or Memberships

Texas State Certified General Real Estate Appraiser – License No. TX – 1381323 G

### Professional Background

JLL Valuation and Advisory Service (2019 – 2023)

### Education or Qualifications

BBA - Finance and Real Estate  
The University of Alabama

### State Certifications

Texas  
Colorado

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HOUSTON, TX 77007



## **Certified General Real Estate Appraiser**

**Appraiser: John Andrew Burke**

**License #: TX 1381323 G**

**License Expires: 06/30/2025**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Occupations Code, Chapter 1103, authorization is granted to use this title:  
**Certified General Real Estate Appraiser**

For additional information or to file a complaint please contact TALCB at [www.talcb.texas.gov](http://www.talcb.texas.gov).

A handwritten signature in blue ink, which appears to read 'Chelsea B.', is located to the right of the certification text.

**Chelsea Buchholtz  
Commissioner**



Managing Director  
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#### State Certifications

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## Clay M. Roth, MAI

### Area of Expertise

Clay M. Roth, MAI, joined Colliers Valuation & Advisory in 2023 and currently serves as a Multifamily Specialty Practice Co-Leader and Managing Director in the firm's Houston, Texas office. Clay has more than 30 years of real estate appraisal and consulting experience working for financial institutions, insurance companies, attorneys, federal agencies, operators, and developers.

Clay specializes in the valuation of investment-grade multifamily communities for institutional lenders. His experience includes all residential property types (low-rise, mid-rise and high-rise) ranging from standard, two-story, garden-style communities to luxury apartment complexes and student housing, both existing and proposed. Clay also has significant experience with Fannie Mae- and Freddie Mac-compliant assignments. This experience relates to numerous encumbered developments operating under the affordable housing programs for state, local and federal agencies for LIHTC, HUD Section 8, HOME, HAP, bond-financed communities and tax-exempt, not-for-profit 501(c)(3) properties. Clay is also MAP-certified through the U.S. Department of Housing and Urban Development.

While he specializes in multifamily appraisal work, his valuation expertise encompasses a wide variety of commercial asset types including hospitality, office, retail, industrial, nursing homes, assisted living facilities, congregate care facilities, and special-purpose facilities. He completes appraisal reports, appraisal reviews and market feasibility studies, and is also qualified as an expert witness in Civil and Federal Bankruptcy Courts in Houston, Texas.

### Professional Background

August 2023 to Present Colliers, Managing Director

July 2017 to March 2023 Newmark, Executive Vice President

April 1998 to July 2017 CBRE, Inc., Houston, Texas, Executive Vice President

1989 to 1998 The Gerald A. Teel Company Houston, Texas, Manager

1986 to 1989 George E. Sims and Associates Houston, Texas

### Affiliations or Memberships

Appraisal Institute

Certified General Real Estate Appraiser:

- State of Texas (No. TX-1323240-G)
- State of Louisiana (No. G3602)
- State of Oklahoma (No. 13241CGA)
- State of Arkansas (No. CG1584)

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## Certified General Real Estate Appraiser

Appraiser: **Clay Michael Roth**

License #: **TX 1323240 G**

License Expires: **06/30/2024**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Occupations Code, Chapter 1103, authorization is granted to use this title:  
Certified General Real Estate Appraiser

For additional information or to file a complaint please contact TALCB at [www.talcb.texas.gov](http://www.talcb.texas.gov).

A blue ink signature of Chelsea Buchholtz, the Commissioner, is located on the right side of the certificate.

**Chelsea Buchholtz**  
Commissioner



The Colliers logo is located in the top right corner. It consists of the word "Colliers" in a white serif font, set against a blue rectangular background. Below the blue background are three horizontal stripes in yellow, red, and blue.

Colliers

# Valuation & Advisory Services



Accelerating success.



# Valuation & Advisory Services

Real estate valuations play a pivotal role in today's business climate. An accurate and well supported opinion of property value can mean the difference between reaching a critical goal—securing a loan, closing a sale, reporting to investors, choosing the best asset—or failing to achieve it altogether.

Colliers Valuation & Advisory Services' reports are designed to deliver insight into a property's fundamentals, its competition and the overall market dynamics affecting value. A solid valuation report can be a strategic asset for investors, lenders and owners, provided that it addresses both a property's unique characteristics and the most current market conditions.

Commitment to high-end client service, coupled with Colliers' unparalleled market intelligence and resources, differentiates us as the firm of choice in the real estate industry.

## Professional

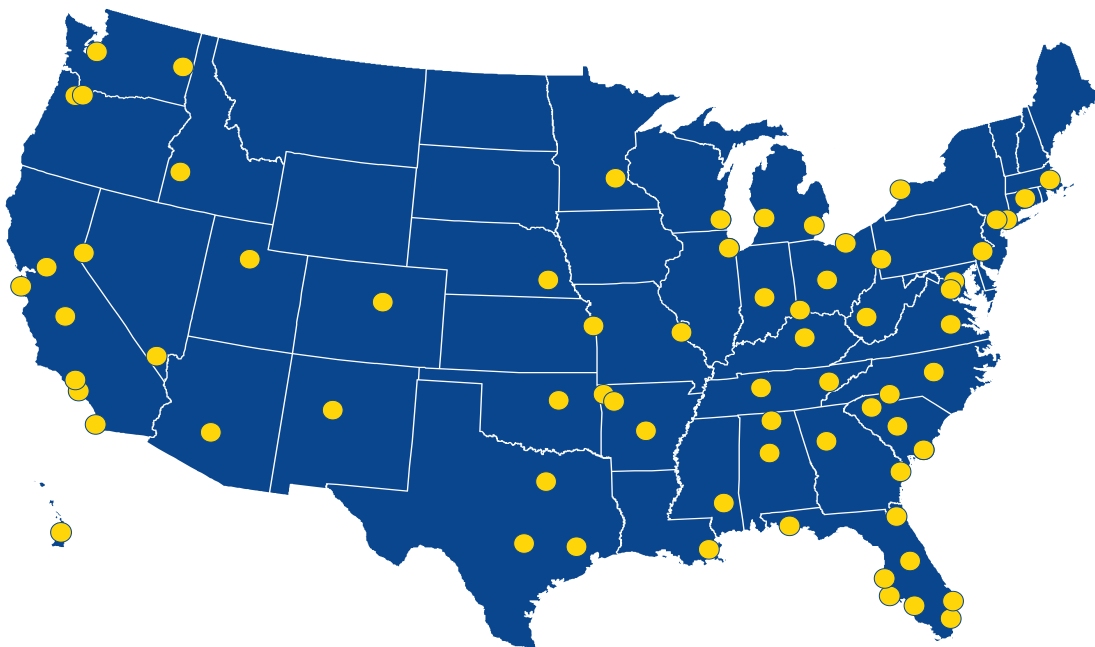
Our professionals share a commitment to deliver the highest level of service and consistent results. We go the extra mile for our clients, whether this means meeting a tight deadline or working with a complex and challenging property.

## Technology

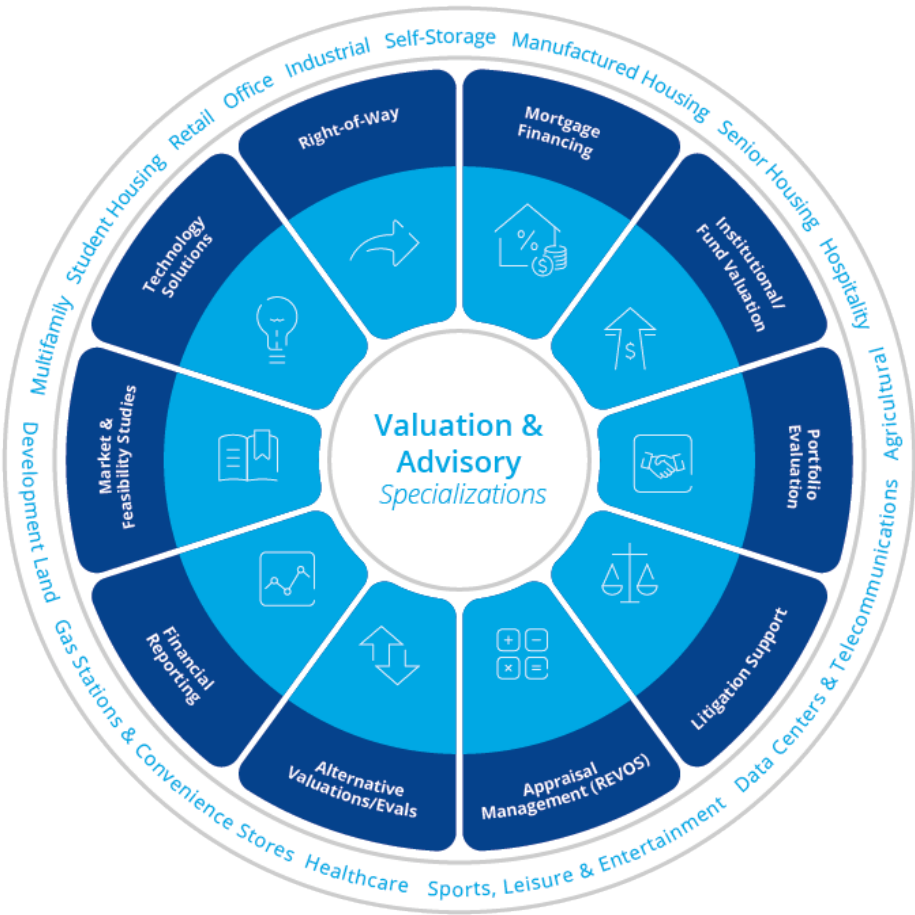
Our unmatched report creation technology speeds appraisals through the pipeline. This secure, centralized production system generates a wide range of reports and high volume portfolio orders without delays.

## Information

Today's business climate places valuation in a more pivotal position than ever before. All our appraisals are evaluated and approved by an experienced review team to ensure our clients receive concise and timely appraisals. With clear, prompt reporting and a comprehensive, big picture approach, Colliers' valuation and advisory reports give our clients the information they need to make better business decisions.



# What We Do



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30,000+ assignments completed annually



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Real estate advisors in 501 offices in 65 countries.



Founding member of the World Green Building Council



Recognized and ranked 17 consecutive years, more than any other real estate firm



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Ranked in the world's top female-friendly companies.



# Valuation & Advisory Services National Leadership

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## Our Experts

To learn more about our Regional and Market Valuation Experts, please click on or scan the QR code.



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